

The complaint

Mrs S is unhappy with the compensation PSA Finance UK Limited offered after allowing her to reject a car supplied to her under a hire agreement.

What happened

On 31 May 2019, Mrs S was supplied with a new car through a hire agreement with PSA. She paid an advance rental of £319.98 and the agreement was for 36 months, with monthly rental payments of £319.98.

Mrs S started having problems with the braking system and lane departure system. The supplying dealership did system updates in July 2019 and December 2019. But the problems with the car continued. In March 2020, because of the coronavirus (Covid-19) pandemic and resulting lockdowns, Mrs S was required to shield. So, the car was only used sporadically, and it wasn't until July 2021 that she was able to return it to the dealership.

The dealership did another system update in July 2021, and a new automotive radar and hydraulic braking system were fitted in November 2021. But this didn't fix the problem, and in February 2022 Mrs S was allowed to terminate the agreement and return the car. During the period May 2019 to February 2022 Mrs S was provided with a series of courtesy cars covering most of the time the car was with the dealership for investigation/repair.

PSA refunded Mrs S a total of four monthly payments to reflect the inconvenience she'd been caused. However, Mrs S wasn't happy with this, as she didn't think it reflected the amount of time she was allowed to drive an unroadworthy car, and the potential problems it may've caused if she'd had needed to make an insurance claim. She was also unhappy that some of the courtesy vehicles she'd been provided weren't suitable due to her medical conditions, and they weren't of the same specification to the car she was paying for. So, she brought her complaint to us for investigation.

Our investigator initially said she'd seen details of the courtesy cars Mrs S had been provided with. And, based on the period of time Mrs S had been without a courtesy car, and the complaint Mrs S made to the dealership about the unsuitability of a car she'd been provided with; the investigator thought that the offer PSA had made was fair. And she didn't think they needed to do anything more.

Mrs S didn't agree with the investigator. And she provided more information about the timescales involved and the courtesy car's she'd been provided with. Based on Mrs S's comments, the investigator revised her view. She said that Mrs S needed to return the car to the dealership on at least five occasions in the just under three years the agreement ran for. When the car was in Mrs S's possession, she had problems with the alarm constantly going off and with warning lights constantly illuminated. And Mrs S was continually concerned for her safety when driving the car.

The investigator also explained why some of the courtesy cars Mrs S had been supplied with were unsuitable due to her medical conditions.

The investigator thought that PSA should've allowed the car to be rejected sooner, as the dealership weren't able to repair it. And, given that the issues with the car had been present since May 2019, she thought it was unreasonable for PSA not to agree to reject the car until February 2022 – just before the agreement was scheduled to end.

As such, the investigator recommended that PSA pay Mrs S an additional £500 for the distress and inconvenience she'd been caused.

PSA didn't agree with the investigator. They said they weren't responsible for how the dealership dealt with Mrs S, or for the courtesy cars that were provided to her. As such, they thought that the four payments they'd refunded were reasonable and they didn't think they needed to do anything more.

Because PSA didn't agree with the investigator, this matter has been passed to me to make a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mrs S was supplied with a vehicle under a hire agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

The Consumer Rights Act 2015 (CRA) says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of goods, PSA are responsible. What's satisfactory is determined by things such as what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history and its durability. Durability means that the components of the car must last a reasonable amount of time.

The CRA also implies that goods must conform to contract within the first six months. So, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied, unless PSA can show otherwise. But, where a fault is identified after the first six months, the CRA implies that it's for Mrs S to show it was present when the car was supplied.

So, if I thought the car was faulty when Mrs S took possession of it, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask PSA to put this right.

The basic facts of this case aren't in dispute. There was a fault with the car that, despite a number of attempts by the dealership to fix this, remained unresolved. The car was with the dealership from July 2021 onwards, and Mrs S was provided with a series of courtesy cars. Despite escalating the issues with the car to the manufacturer, the car wasn't repaired. And, in February 2022, PSA agreed that Mrs S was able to terminate the agreement early.

Given this, my decision will focus on what I think PSA should do to put things right.

I've seen details of the courtesy car's Mrs S was provided with. She had a car in July and August 2021 that wasn't suitable for her needs as it was a manual, and she was only able to drive an automatic. Mrs S wasn't provided with any courtesy car for a period of time during October and November 2021, and the courtesy car she was provided in November and December 2021 was also unsuitable, as the driving position exacerbated her medical conditions.

Based on this, I'm satisfied that Mrs S had a period of just over three months in total where she was paying PSA for a car, but wasn't receiving the service she was paying for i.e. she wasn't kept mobile during this period. PSA have refunded Mrs S four monthly payments and, given the circumstances, I'm satisfied this was reasonable for the period Mrs S wasn't kept mobile. And I won't be asking them to refund any further payments.

However, I also need to consider PSA's actions, and the impact this had on Mrs S. While PSA say that Mrs S didn't raise any issues with them until 15 November 2021, I've seen evidence to show that she actually raised her complaint with them on 9 July 2021. And, between July and November 2021, I've seen that she chased PSA on multiple occasions for an update on the progress of her complaint.

It's also the case that the dealership agreed the car wasn't roadworthy in July 2021, after at least three separate attempts at repair.

So, while PSA allowed Mrs S to terminate the agreement early, with nothing more to pay, from the evidence I've seen I'm satisfied that there was a fault with the car from when it was supplied to Mrs S. And the dealership had multiple attempts to resolve this issue, all unsuccessful. As such, under the CRA, I'm satisfied that Mrs S should've been able to reject the car. And I think that PSA should've allowed her the right of rejection when she first brought the matter to their attention in July 2021. And, by not doing so, PSA unnecessarily allowed this situation to drag out longer than was reasonably necessary.

I've noted that PSA have raised the issue that they're not required to keep Mrs S mobile if the car is in for repair, and that any concerns Mrs S had about the courtesy cars needed to be raised with the garage. But I don't think this is the issue here. Instead, by failing to allow Mrs S to reject the car sooner, PSA therefore subjected her to an extended period where she was either without a courtesy car or was supplied with an unsuitable courtesy car. And, given Mrs S's medical needs, this put her to a lot of distress and inconvenience.

As such, I'm satisfied that PSA should pay Mrs S compensation for the distress and inconvenience she's suffered. The investigator has recommended £500, which is in line with what I would've directed, had no recommendation been made. As such, I see no compelling reason why I shouldn't adopt this as part of my final decision.

Finally, while it's clear that Mrs S had issues with how her complaint was dealt with, by both the dealership and PSA, complaint handling isn't a regulated activity. So, this isn't something I'm able to consider. And I won't comment further on this point.

Putting things right

PSA should pay Mrs S £500 compensation for the distress and inconvenience caused by supplying her with a car that wasn't of a satisfactory quality, and by failing to allow her to reject the car after the attempts to repair it had failed.

My final decision

For the reasons explained, I uphold Mrs S's complaint. PSA Finance UK Limited should follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 6 April 2023.

Andrew Burford
Ombudsman