

The complaint

Mr U complains that the car he acquired through a hire purchase agreement with RCI Financial Services Limited wasn't of satisfactory quality.

What happened

Mr U entered into a hire purchase agreement with RCI in March 2022 to acquire a used car. Mr U paid a £2,000 deposit and was required to make 48 monthly repayments of £245. At the time of acquisition, the car was around four years old and had a mileage of 54,131 miles.

Mr U said he experienced several issues with the car. On 4 May 2022 he contacted RCI saying he wanted to reject the car.

RCI issued a final response letter dated 18 July 2022. It said it contacted the dealer about Mr U's car and was told that the dealer had paid for a diagnostics test to take place. This had identified an issue with the car's ABS system which the dealer had offered to repair at no cost to Mr U. RCI said the diagnostics report didn't show any other faults and that the dealer had offered other options to Mr U including purchasing the car back and setting up a new agreement. It said it thought the offers of repair or replacement provided by the dealer were reasonable and it wasn't offering anything further.

Mr U wasn't satisfied with RCI's response and referred his complaint to the Financial Ombudsman Service.

Our investigator upheld this complaint. She noted the issue that had been identified in the diagnostics report and that Mr U had only had the car around a month and travelled less than 800 miles when the issue was confirmed. Based on this she didn't think the car was of satisfactory quality at the point of supply. Because of this she thought RCI needed to put things right.

Our investigator thought the appropriate remedy was for the car to be repaired at no cost to Mr U. She noted that Mr U was still able to use the car but thought he should be refunded 10% of his repayments from 27 April 2022 and 18 July 2022 to reflect the impaired usage between the point of the issue being identified and the resolution being offered by RCI. Additional to this she thought Mr U had suffered some distress and inconvenience by being provided with a car that wasn't of satisfactory quality and said he should be paid £100 compensation because of this.

Mr U didn't agree with our investigator's view. He wanted to reject the car. Following our investigator's view, Mr U raised further issues including that the car was mis-sold as well as noting other faults. RCI didn't consent to the new issues being considered and it has been explained these can be raised as separate complaint points for RCI to investigate.

As a resolution to the complaint Mr U raised with RCI in May 2022 hasn't been reached, this complaint has been passed to me an ombudsman to issue a 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.

Mr U acquired a used car through a hire purchase agreement. Under the regulations, specifically the Consumer Rights Act 2015, RCI can be held liable if the car supplied wasn't of satisfactory quality. Satisfactory quality takes into account factors such as the age and mileage of the car. In this case the car was just under four years old and had been driven 54,131 miles at the point of acquisition.

Mr U entered into the hire purchase agreement on 29 March 2022. On 8 April 2022 he emailed the dealer saying the car wasn't driving as it should and was experiencing issues. On 15 April a vehicle health check took place which noted the ABS lights were on and there was an internal defect which would require attention. A diagnostics report was undertaken on 27 April 2022 which stated there was an ABS control unit fault and a new ABS control unit was required. Given the evidence provided it is clear there was a fault with the car and noting the type of fault and that this was identified so soon after acquisition when Mr U hadn't driven a significant amount of miles, I accept that the fault identified was most likely present from the point of supply. Having considered the nature of the fault and the timing I do not find the car was of satisfactory quality at supply.

As the car supplied wasn't of satisfactory quality, RCI is required to provide a remedy. Under the Consumer Rights Act 2015, there is a short term right to reject if the issues are identified within the first 30 days and the consumer asks to reject the car. In this case Mr U raised the issues with the dealer within 30 days but based on the correspondence between Mr U and the dealer at the time it appears Mr U accepted that the car could be repaired. I say this because in his email of 8 April, Mr U says he wants the car sorted or to return it and then says that if the car isn't fixed, he will contact the finance company. Mr U contacted RCI more than 30 days after he had acquired the car and asked about rejection, but he hadn't allowed for repairs to be undertaken before then. Given the dealer offered to carry out repairs (as well as offering replacement but I understand a suitable alternative vehicle wasn't identified) and it appears that having the car fixed was what Mr U had initially requested, I think, on balance, it is fair to say that Mr U accepted the initial offer of repairs and that under the regulations, in this case, RCI is allowed a chance to get the car repaired at no cost to Mr U.

While Mr U has been able to continue to use the car, I agree with our investigator that he should be refunded a portion of his repayments to reflect the impaired use due to the issues. Having considered the impact of the identified issues I agree that 10% refund is reasonable and I also think it right this is limited to the point when the issue was identified to when RCI issued its final response letter endorsing the dealer's offer of repair. I say this because at this point Mr U was provided with a reasonable offer and could have had the repairs undertaken at that time.

Being provided with a car that wasn't of satisfactory quality did cause Mr U distress and inconvenience. I can see his comment about needing to contact the dealer several times. This complaint is against RCI and so I cannot comment on the service provided by the dealer. However, I think the underlying issue of the car not being of satisfactory quality meant Mr U needed to spend time and energy trying to get the issue confirmed and resolved. Therefore, I agree he should be paid £100 compensation because of this.

I can see that Mr U has experienced further issues with the car since the final response letter and our investigator's view was issued. I can also see he has raised concerns about the car being mis-sold. However, as these issues were raised after the investigation they need to be considered as a separate complaint and RCI provided the opportunity to respond to the

issues before Mr U could, if desired, refer these concerns to this service.

In conclusion, this decision is about whether the car Mr U acquired under a hire purchase agreement with RCI was of satisfactory quality. In this case I do not find it was due to the identification of an ABS control unit fault. Because of this I find RCI should ensure repairs are undertaken to resolve the issues noted in the reports from April 2022 at no cost to Mr U. I note the comments made about repairs under the warranty and the concerns that have been raised about this but irrespective of the repairs being covered by any warranty they should be undertaken at no cost to Mr U. RCI should also provide the partial refund for the impaired use and £100 compensation.

Putting things right

As I find the car supplied to Mr U wasn't of satisfactory quality, RCI should take the following actions in order to remedy this complaint.

- arrange for and cover the cost of the repairs to the car as directed above – these should be carried out within a reasonable timescale;
- refund 10% of payments made between 27 April 2022 and 18 July 2022;
- pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement;
- pay Mr U £100 for distress and inconvenience;
- remove any adverse information from Mr U's credit file in relation to the agreement.

My final decision

My final decision is that I uphold this complaint. RCI Financial Services Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 8 June 2023.

Jane Archer
Ombudsman