

The complaint

Mr G complains that the car he acquired financed through a hire purchase agreement with Blue Motor Finance Ltd wasn't of satisfactory quality.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. Instead I'll focus on giving the reasons for my 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 agree with the conclusions reached by the investigator for the reasons I've outlined below.

It's not in dispute that the car was not of satisfactory quality when it was supplied. So it follows that both parties agree there has been a breach of contract which Blue Motor is responsible for putting right. Our investigator recommended that Mr G should be allowed to reject the car.

In addition the investigator also recommended Blue Motor -

- Refund the cash deposit of £70 and the part exchange value of £500 which contributed to the original finance agreement.
- Refund the difference between the settlement figure and the sell-on part exchange value of £1,037.29.
- Pay Mr G £100 for the distress and inconvenience caused due to the faulty car.

Mr G accepted the investigator's recommendations. Blue Motor accepted that Mr G should be able to reject the vehicle as he reported issues within six months of taking out the agreement and because it was repaired, and those repairs failed. It also agreed with refunding Mr G's deposit and part exchange value along with the distress and inconvenience amount the investigator recommended.

Blue motor did not agree with paying the difference between the settlement figure and the sell-on part exchange value. It said the finance agreement had been settled as the customer had part exchanged the vehicle while his complaint was with our service. Blue Motor said it didn't have any proof the faults had contributed towards the negative equity of the vehicle. It said the vehicle would have naturally depreciated and will never be valued at the original selling price. Blue Motor said Mr G made the decision to freely part exchange the vehicle and would have been fully aware of the negative equity before signing up to the new finance.

I don't need to deal with the material aspects of whether the car wasn't of satisfactory quality. That has been agreed. And both parties agree that the cash deposit and original part exchange value should be refunded. The disagreement here is over the financial settlement

concerning the sell-on part exchange value of the vehicle.

Blue Motor said if it gave Mr G both his deposit and the negative equity back that would put him in a position of being £570 better off than when he took out the original agreement. It said it would agree to refunding the difference between the negative equity and the deposit. It said the deposit should be used in the replacement vehicle to put Mr G back in the same position he was in.

Mr G told this service that he sold the car and part exchanged it for another one because the faults got a bit too much. He sent a copy of the MOT details from shortly after he sold the car which indicated a number of problems. He said when he part exchanged he had to carry over £1,000 to his new finance agreement as the dealership advised there were lots of faults and they would cost roughly £1,000 to fix. Mr G sold the car after he received the final response letter from Blue Motor when it wouldn't allow him to reject the car because he needed to be kept mobile.

Blue Motor has since accepted that Mr G should be allowed to reject the car, but I think it reasonable that Mr G took the action he did after he received the final response letter. The first agreement was taken out in September 2022 and the second in December 2022. The car depreciated in value.

This is only a short period of time for the car to depreciate so much. It's not clear to me how the problems with it affected the value but it seems likely they did. And this has cost him. Had Mr G been able to reject the car when he complained to Blue Motor the agreement would've ended and Mr G would've walked away with nothing further to pay having been refunded his deposit and original part-exchange value.

But in order to be kept mobile Mr G was forced to enter into a new agreement using the car which Blue Motor should've allowed him to reject. The car was valued at £3,200 and the settlement figure was £4,807.29. Therefore £1,607.29 was added to the agreement which would incur interest. So I think the fair and reasonable action to take would be for Blue Motor to refund this amount less the original cash deposit and part exchange value, £1,037.29. Though as this amount was added to the finance agreement I won't be adding 8% simple interest.

Using the APR figure on Mr G's new agreement (which is less than his agreement with Blue Motor) the interest he will be charged on that amount would likely be around £500 over the term of the agreement. So I don't believe Mr G would be materially better off.

Putting things right

To put things right Blue Motor Finance Ltd must:

- Refund the cash deposit of £70 and the part exchange value of £500 and pay 8% simple interest from the date of payment to the date of settlement;
- Refund the difference between the settlement figure and the part exchange value, £1,037.29;
- Pay Mr G £100 for the distress and inconvenience caused due to the faulty car.

My final decision

My final decision is that I uphold this complaint and Blue Motor Finance Ltd must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 3 November 2023.

Maxine Sutton
Ombudsman