

The complaint

Mr W complains about a car acquired through a Hire Purchase agreement with STARTLINE MOTOR FINANCE LIMITED ('Startline'). Mr W complained about faults that had been found during diagnostic tests. The full extent of these faults wasn't immediately uncovered and only later came to light during a full vehicle health check. He thinks these faults should've been noticed sooner.

What happened

Mr W acquired the vehicle in December 2022. When it was sold, it was four years and nine months old, had covered 61,605 miles and cost £8,550.00.

Mr W complained about failed parking sensors in January 2023. But Startline considered there wasn't enough evidence of the issue.

He had a vehicle health check carried out in January 2023 and this indicated that all was well with the car. At this point the car had covered 63,895 miles.

A further vehicle health check in November 2023 found the wet belt needed seeing to, the exhaust's front 'flexihose' was deteriorated, the exhaust mounting points were corroded and the brakes were fitted incorrectly. By this time the car had covered 67,871 miles.

Mr W complained in November 2023 about the fact the faults hadn't been found sooner.

An inspection was carried out in January 2024. This report concluded that at the point of supply the wet belt was likely to have been prematurely degrading, the brakes would likely have been incorrectly fitted and the brake pipe would have been bent. As such these issues were present at the point of supply and would unlikely be considered sufficiently durable.

Startline said in January 2024 that it couldn't yet respond to the complaint and Mr W referred it to our service. It later confirmed that it would accept Mr W's complaint and agree for the car to be rejected, along with compensation for the delays.

Mr W asked when he'd be able to cancel the insurance, and Starline advised to wait until the agreement had been unwound. Mr W asked for the insurance he'd paid since November 2023 to be refunded as he didn't have the car – this seems to have been £164.12 a month.

In May 2024 Startline issued a response to Mr W's complaint. It said it would retain six months of payments for the mileage Mr W had covered, but would refund the remainder. It would also remove its entry from Mr W's credit file. It said for the distress and inconvenience caused and the insurance costs he'd incurred, it would pay a further £1,000.00.

It eventually confirmed the total refund would be £3,251.44.

Mr W said the amount he'd been paid didn't reflect the insurance costs he'd incurred and he wasn't happy this payment had been made before he had a chance to consider whether he was happy with the amount being offered.

Startline had calculated Mr W's insurance costs (From November 2023 to May 2024) as £822.82, but Mr W thought this had been calculated incorrectly.

In May 2024 Startline sent Mr W a Notice of Arrears, saying he had a shortfall of £2,227.44 and he needed to make contact in order to address the situation. But it has confirmed Mr W's account wasn't being reported as in arrears now it had been settled.

The investigator reviewing the complaint didn't think Startline's offer was fair, despite it being accepted that the car could be rejected.

They said Mr W's insurance costs were roughly £200 higher than what Startline had calculated as a result of mixing up the payments he had to make in 2023 with those he had to make in 2024. So they felt Startline should pay Mr W this additional amount.

Startline agreed with the investigator's outcome. Mr W had queries about how the six months of payments were shared between Startline and the dealer. And he said the car was in better condition when he handed the car back.

He queried what he'd been paid by Startline to settle the complaint and had a number of queries about the reasons why things had gone wrong.

Mr W wanted to know, among other things, how the car had come to be sold in the condition it had, how much of the cost price Startline retrieved from the dealership, why he'd received such poor service and why the dealer didn't conduct a proper health check first time round.

The investigator thought the answers to these questions didn't alter the outcome now that things had been put right – and some of them were outside the scope of Mr W's complaint against Startline. But they were satisfied that the payments Startline kept for fair use were reasonable.

The investigator asked for evidence of the impact on Mr W's credit file, but didn't receive any further evidence of this.

In response to some of Mr W's questions, Startline said it can't directly oversee the dealer's actions, check for service histories, and the like. But it would look to put things right if they go wrong which it has done here. It said while the account was being settled the refund meant the account showed as being in arrears but this wasn't reported externally.

It confirmed there are arrangements in place with dealers around what happens with payments which are returned when goods are rejected, but these vary depending on a number of factors – and didn't give any specifics. It said it couldn't comment on the quality of third-party inspections and health checks in general. But if it received evidence of failures it would act on it.

Unhappy with these answers and the outcome the investigator reached, Mr W asked for the case to be reviewed by an ombudsman and so it has been passed to me to issue 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.

I'm required to take into account the relevant laws and regulations; regulators rules, guidance, and standards; codes of practice and, when appropriate, what I consider to have been good industry practice at the relevant time. I may not comment on every point that's been raised, but I have read and considered everything that's been said. Instead I will focus on what I think are the key points to reach a fair and reasonable decision. This reflects the nature of our service which was set up to be an informal alternative to the courts.

Where information or evidence is missing or contradictory, I'll make my decision based on the balance of probabilities – that means what I consider to have more likely than not happened – given the available information.

I will lay out what I consider to be the key facts and the considerations I've taken into account when reaching my decision.

Mr W acquired the car through a Hire Purchase agreement with Startline. Under this type of arrangement, Startline became the supplier of the car and is responsible if the goods aren't of satisfactory quality when provided. The key legislation for me to consider in complaints of this nature is the Consumer Rights Act 2015 ('CRA'). This outlines, among other things, that goods should be of satisfactory quality at the time they're supplied.

Satisfactory quality is described as the standard that a reasonable person would expect taking into account, among other things, the description, age and price of the goods. The quality of the goods includes their state and condition - and where appropriate their fitness for purpose, appearance, freedom from minor defects, safety and durability should be taken into account.

As confirmed above, Mr W acquired the vehicle in December 2022. When it was sold, it was four years and nine months old, had covered 61,605 miles and cost £8,550.00.

In these circumstances you might expect a car with some age and use to have minor issues or service requirements sooner than a newer, less-used car. However you would still expect it to be provided in a roadworthy condition and for there not to be significant issues so soon.

While the issues complained of here were only confirmed in November 2023, the inspector's conclusion was that these issues would have been present at the first health check in January 2023, and by extension at the point of supply in December 2022.

This isn't in dispute and on this basis Startline agreed for the agreement to end and for the goods to be rejected. It said it would calculate the amount it would refund and this is what remains in dispute.

When unsatisfactory cars are returned, it's necessary to consider the amount of use of the goods since they were supplied. If a car has been used, then it's fair for some form of payment to be made for that use.

In this case, Mr W hasn't had the car since November 2023. So he had the car for around 11 months. In that time he'd travelled just over 6,000 miles. This level of use isn't excessive for that amount of time, however it's still use that I consider reasonable to be factored into any refund of payments.

Startline kept six months' worth of payments, which roughly equates to the mileage he covered in the car while he had it – if calculated at 1,000 miles per month. Mr W has been refunded approximately 45% of the payments he made while he had the car. I don't find this approach unreasonable.

Mr W hasn't given persuasive reasons as to why he should be refunded more of his monthly payments when in reality he did get use of the car, albeit in a limited way. Ultimately he was generally able to use the car as intended up to the point of failure, and it's reasonable that this level of use is reflected in the refund in this case.

Startline did initially miscalculate the insurance costs Mr W had evidenced, which would have been frustrating to see given how long all this had been going on. This was likely an oversight on its part, however this has now been put right and I think this is reasonable in the circumstances.

Startline is responsible for the quality of goods that were provided at the point of sale. But it isn't expected to directly manage the actions of those dealerships in the way Mr W envisages. Lenders aren't responsible for checking each vehicle prior to sale. It should have general procedures to check the processes of the dealers it works with, but that's not the same thing as individually auditing the goods for each and every transaction that it might enter into.

What's key is that if something goes wrong, then a lender is responsible for putting things right. It's unlikely able to directly vet each car it finances, prior to sale. Nevertheless what it is responsible for, and needs to act upon, is the consequences of goods provided that aren't of satisfactory quality at the point of supply.

In this case it has arranged the rejection of the goods, refunded the costs Mr W has incurred and refunded his payments – albeit while retaining a portion of those payments to reflect the use Mr W had of the car. This is entirely reasonable in my view having considered the circumstances of this complaint and I see no reason to depart from that here.

Mr W said his credit file had been impacted and our investigator asked for evidence of this in case it required further investigation however we haven't received any further information in relation to this. I can see there was a short period where Startline's systems issued an automated arrears notice as a result of the refund of payments.

This should have been averted and the fact it wasn't would likely have caused Mr W some concern. However this was very quickly rectified and I haven't seen any evidence of this having any further impact. So I wouldn't recommend anything over and above what's been suggested by our investigator to reflect the costs Mr W has incurred and the impact this matter had.

My final decision

My final decision is that I uphold Mr W's complaint against STARTLINE MOTOR FINANCE LIMITED.

Startline should settle the complaint in line with what's outlined above if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 17 January 2025.

Scott Walker
Ombudsman