

The complaint

Mr H is unhappy that a car supplied to him under a hire purchase agreement with RCI Financial Services Limited was of an unsatisfactory quality.

What happened

In March 2022, Mr H was supplied with a used car ('the 2018 car') through a higher purchase agreement with RCI. Unhappy with the quality of this car, Mr H complained to RCI and then to the Financial Ombudsman Service. We investigated the matter, and an ombudsman issued a final decision under a different reference number.

This decision was that Mr H didn't have the right to reject the 2018 car, as it had already been repaired. The deciding ombudsman also said that, even if Mr H had the right to reject the 2018 car, or if he were to take the supplying dealership's offer to take back the 2018 car and clear the finance, he wouldn't be entitled to any payment refund as the payments he'd already made were fair usage for the 10,000 miles he'd done in the 2018 car.

Mr H kept the 2018 car but continued to experience further issues. In March 2024 the clutch kit was replaced, and in April 2024 the gearbox bolts were tightened, a rear parking sensor was replaced, and a coolant tank was refitted.

Unhappy with the ongoing faults with the 2018 car, Mr H complained to both the dealership and RCI. Following a discussion with the dealership about how to resolve his complaint, Mr H agreed to part-exchange the 2018 car for another used car ('the 2019 car') that was both larger and a different model. RCI again financed this deal.

So, in May 2024, Mr H was supplied with the 2019 car through a hire purchase agreement with RCI. He paid a £49.50 deposit, there was a £250 deposit contribution and, after settling the agreement on the 2018 car, there was also a £299.50 part-exchange value. This took the total deposit to £599. The agreement was for £20,490 over 49 months; with 48 monthly payments of £368.20 and a final payment of £10,764.

Mr H remained unhappy with what had happened to the 2018 car. He was also unhappy that the payments he'd made towards the 2018 car hadn't been applied to the 2019 car, and that he was essentially starting again. He also said that, while he understood that he'd taken the 2019 car under a Personal Contract Purchase arrangement (a type of hire purchase agreement), he didn't know what that meant. So, he brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator said that we couldn't consider any issues with the 2018 car that had already been considered when the initial ombudsman made their decision. The investigator said that, while Mr H had experienced further problems with the 2018 car, there was no evidence to show these faults made the car of an unsatisfactory quality when it was supplied. And, as the car has now been disposed of, it's no longer possible to obtain any evidence.

So, as Mr H had agreed to part-exchange the 2018 car for the 2019 car as a resolution to his complaint about the ongoing issues with the 2018 car, and this resolution had been carried out, RCI didn't need to do anything more about the 2018 car.

With regards to the 2019 car, Mr H had confirmed that there were no issues with this – it was of a satisfactory quality when it was supplied. But he believed he'd been mis-sold the agreement as it wasn't properly explained to him. The investigator said that, as per the initial ombudsman's remarks, Mr H wasn't due a refund of any payments from the 2018 car, and the payments he'd made accounted for the usage he'd had.

The investigator also said that the terms of the new agreement, including the deposit that was being put down, was laid out clearly, fairly, and in a non-misleading way by RCI. And Mr H had also confirmed he'd gone back to the dealership, who explained the terms of the agreement again. So, the investigator thought Mr H had been treated fairly, and didn't think RCI needed to do anything more about the 2019 car.

Mr H didn't agree with the investigator, so this matter has been passed to me to decide.

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. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

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. Mr H was supplied with both car under regulated consumer credit agreements which means we're able to investigate complaints about them.

The 2018 Car

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, RCI 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 RCI can show otherwise. So, if I thought the car was faulty when Mr H took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask RCI to put this right.

Before I explain why I've reached my decision, I think it's extremely important for me to set out exactly what I've been able to consider here. Mr H had previously complained about the 2018 car, and this complaint was subject to an ombudsman's decision. As such, all the previous issues with the 2018 car have been dealt with, and our rules don't allow us to

consider them again. So, I'm only considering what happened to the 2018 car after Mr H's previous complaint was decided.

Mr H had further issues with the 2018 car that required repairs to the clutch and gearbox. These repairs were carried out at no cost to Mr H. I haven't seen anything, for example an independent engineer's report, that shows these faults with the 2018 car were present or developing at the time of supply, or that the 2018 car had lacked sufficient durability when it was supplied. I've also noted that, as the car has since been disposed of, it's no longer possible to obtain this evidence.

As I've explained above, as the faults I'm considering occurred more than six months after the car was supplied to Mr H, the CRA implies that it's for him to prove the faults were present or developing when the car was supplied. Which he hasn't been able to do. Furthermore, as these issues occurred more than two years after the car was supplied to Mr H, had these issues been present at supply, it's more likely than not that they would've happened sooner.

So, based on the evidence available to me, I can't say that the later faults made the 2018 car of an unsatisfactory quality when it was supplied. And, as the 2018 car was part-exchanged as part of Mr H's resolution to his complaint about these faults, I won't be asking RCI to take any further action in this regard.

The 2019 Car

When Mr H financed the 2019 car, he did so under a new agreement with RCI – this wasn't an extension of the old agreement for the 2018 car. As such, and as they are two separate agreements, the payments for the first agreement (the 2018 car) wouldn't be applied to the second agreement (the 2019 car), and I haven't seen anything to show me that Mr H was told this was the case.

What's more, in the decision reached by the ombudsman referred to above, it was explained to Mr H that the payments he'd made towards the 2018 car accounted for the fair usage of that car, so in any event he wouldn't be entitled to a refund of these payments. Given this, I don't think it would be reasonable to expect the payments towards the 2018 car to be refunded to Mr H and applied to the agreement for the 2019 car,

When Mr H chose to part-exchange the 2008 car for the 2019 car, the 2018 car had a part-exchange value that was higher than the amount Mr H still owed RCI. So, I'd expect this difference to be applied to the agreement for the 2019 car, and I can see that this was the case – the difference between the value of the 2018 car and the amount Mr H owed to RCI under the first agreement was £299.50, which formed part of the overall £599 deposit applied to the second agreement.

Finally, Mr H said that he knew what type of agreement he was entering into for the 2019 car, but he didn't understand what this meant. I've reviewed the agreement for the 2019 car, and I'm satisfied that the terms were set out in a clear, fair, and not misleading way, with the key facts such as the cash price of the 2019 car, deposit, term, and payments clearly set out.

In signing this agreement, Mr H was signing to say that he'd read, understood, and agreed to the terms. And, if he didn't understand anything within the agreement, he also had the opportunity to discuss this with either the dealership or RCI before going ahead. And he's said that he'd asked the dealership for a further explanation as there were things he didn't understand. As this was provided, and Mr H didn't indicate there was still a lack of understanding, it's reasonable to assume that he'd been provided with sufficient information to enable him to make an informed decision whether to enter into the agreement.

I've seen that the terms of the agreement Mr H entered into for the 2019 car are in line with the agreement he signed. So, while Mr H may now have buyer's remorse about the 2019 car and/or the finance agreement for this, it doesn't mean the agreement was misrepresented. As such, and while I appreciate this may come as a disappointment for Mr H, I won't be asking RCI to do anything more.

My final decision

For the reasons explained, I don't uphold Mr H's complaint about RCI Financial Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 June 2025.

Andrew Burford
Ombudsman