

The complaint

Mr M complains about the quality of a used vehicle he acquired through a conditional sale agreement with Stellantis Financial Services UK Limited trading as PSA Finance UK ('PSA'). Mr M says the vehicle was faulty from the start and he wants to now reject it. He also thinks that he was given incorrect information about his payments from a representative of PSA.

What happened

Mr M's complaint is about the quality of a vehicle he acquired in May 2022. The vehicle was used, and it was first registered in July 2017. So, it was just under five years old when Mr M received it and it had covered 38,357 miles.

Mr M acquired the vehicle using a conditional sale agreement that was started in May 2022. It had a retail price of £23,618. Mr M paid a £2,154 deposit meaning £21,464 was financed. The agreement was to be repaid through 60 monthly instalments, the first instalment was for £421.87 followed by 58 monthly repayments of £428.87 and then a final instalment of £422.87. If Mr M made the repayments in line with the credit agreement, he would need to repay a total of £27,467.20.

Below is a summary of the issues complained about by Mr M and the investigation and repair work that has been carried out by the dealership, alongside what has happened in respect of the complaint.

Mr M has said that he has had multiple problems with the vehicle. These are:

- Within the first week there were problems with a rear wheel.
- In November 2022 it was driven over 2000 miles by a repairing garage.
- In early March 2023, the fuel pump failed and there were some engine problems. The dealership went on to say that the vehicle now needs a new engine.
- It has needed some work to the suspension system.
- The dealership notified him when it inspected the vehicle following the breakdown that the vehicle has an exhaust gas regeneration ('EGR') divert fitted. Mr M said he was not made aware about this at the time of sale.

PSA says that Mr M complained to it in 2022 saying that the vehicle was making an 'unusual noise'. I've not seen a copy of this complaint. The vehicle was looked at by the dealership which said it needed a new fuel gauge. I understand this was repaired. PSA also offered Mr M a goodwill payment of £200 but he has said that he hasn't received this. Mr M didn't bring this complaint to the Financial Ombudsman Service and it doesn't form part of the complaint he made later. I have born this complaint, and fault with the vehicle, in mind when I've considered the further issues Mr M has raised.

Mr M complained again in March 2023 saying he had further problems with the vehicle and wanted to reject it. PSA reconsidered the complaint and provided details of the work the dealership had carried out on the vehicle. It thought these were general wear and tear issues. And it didn't add to the compensation it said it had already paid.

Mr M said that in March 2023, due to the problems he was having with the vehicle, that he was told by a member of PSA's staff that he should cancel the direct debit. Which he did. He also said that on receipt of the arrears notices he tried to discuss this with PSA but he was unable to reach a resolution. There isn't a record of these communications, other than what Mr M has said.

The vehicle was inspected in May 2023 by the dealership, and I've seen the video of this inspection. It concludes that the engine had failed possibly due to a lack of coolant in it, or a faulty oil filter, and it will need a new engine. The technician also noted that the vehicle was fitted with an EGR valve divert. Mr M had driven the vehicle around 15,000 miles at this time.

Going forward, as Mr M was not paying the finance payments, the vehicle was repossessed by PSA. I understand the debt has been passed to a third-party debt collection agency in October 2023. It's not clear if Mr M has made any payments since March 2023.

Mr M hasn't agreed with how PSA has looked into his complaint, and he has brought it to the Financial Ombudsman Service.

It's worth noting that PSA has provided very little information to the Financial Ombudsman Service. It hasn't provided a business file, and it didn't fully respond to much of our Investigators requests for information or to his opinion.

Our Investigator has upheld Mr M's complaint. He said that.

- He outlined the repairs and work that had been done to the vehicle.
- He thought it was likely that Mr M was told to cancel his direct debit as what he said was persuasive. And PSA hasn't disputed this.
- If Mr M had been advised to continue to pay his finance repayments, it's likely he would have done this.
- And then the vehicle would not have been repossessed, so it could have been properly examined to determine if the faults it had were present or developing at the time of sale by an independent third party.
- It was likely that the dealership didn't fit the EGR diverter.
- Mr M wasn't aware of the EGR valve divert and so the vehicle was misrepresented to him. If he had been aware of it, he wouldn't have purchased the vehicle.

PSA didn't agree with the Investigator. It did provide some further information but much of what it said it would provide, such as a technical report, wasn't sent to us. Because PSA didn't agree, 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.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

The agreement in this case is a regulated conditional sale agreement – so we can consider a complaint relating to it. PSA as the supplier of the goods under this type of agreement is responsible for a complaint about their quality. The Consumer Rights Act 2015 ('CRA') is relevant to this complaint. It says that under a contract to supply goods, there is an implied term that 'the quality of the goods is satisfactory'.

And Section 56 of the Consumer Credit Act 1974 is also relevant to this complaint. This explains under certain circumstances that a finance provider is liable for what is said or done by a credit broker or supplier before an agreement is entered into. Here, this means I'm satisfied I can consider what the information Mr M was, or wasn't given about the vehicle as part of his complaint about PSA.

As I've outlined above, there were several faults with the vehicle, and this has resulted in it breaking down. It now requires a new engine. The vehicle also has an EGR valve divert fitted. Disconnecting the EGR valve is an offence under the Road Vehicles (Construction and Use) Regulations. A vehicle that has been modified in this way can potentially not comply with the emissions standards that the EGR valve was designed to meet. So, this is a significant problem with the vehicle. From what I've seen I agree it is likely that this was done before Mr M acquired the vehicle.

Taking all of this into account, I'm not persuaded that the vehicle was of satisfactory quality when it was supplied to Mr M. And I agree that he should have been allowed to reject it due to it not being of satisfactory quality. PSA didn't comment on our Investigators findings about this, so I won't add anything further.

I've also considered if the vehicle was misrepresented to Mr M. For the vehicle to be misrepresented I'd need to see that there was likely to be a false statement of fact made about the vehicle, and that this false statement of fact induced Mr M into entering the agreement.

As I said above, I think it's likely that the EGR valve diverter was present when Mr M was supplied the vehicle. I've seen no persuasive evidence that the dealership, any of the garages that have worked on the vehicle, or Mr M himself, have fitted this.

The EGR valve ensures the vehicle is compliant with emissions standards, and there are potentially serious consequences for a vehicle that has been altered in this way. So, this should have been brought to his attention. I don't think this happened here. I think it's likely the first time Mr M found out about this was when he was told about it in May 2023.

I'm satisfied that both a false statement of fact and inducement were present. So, I agree that the vehicle was likely to have been misrepresented to him. I think it's fair to say that had Mr M been aware the EGR valve had been disconnected at the point of sale, he wouldn't have agreed to go ahead with the vehicle purchase and the finance. So, Mr M should have been allowed to reject the vehicle for this reason as well.

I also agree that Mr M was likely to have been told by a representative of PSA to cancel his direct debit. He has provided some detail about the conversation he had with the PSA representative, and it seems plausible. And PSA hasn't said anything that would indicate that this isn't correct. I don't think Mr M would have cancelled the direct debit if he hadn't been told to do this by the PSA representative.

Ultimately, this has resulted in Mr M receiving negative reports on his credit file which wouldn't be there if PSA had acted correctly. So, PSA should remove these negative entries from his credit file.

Mr M was able to travel over 15,000 miles before being made aware that the EGR valve had been diverted. So, whilst he had some problems with the vehicle, I think he should have paid the amounts he did to PSA – before he cancelled the direct debit. But no more than this.

And Mr M has clearly been inconvenienced by this. Having the vehicle repossessed and several negative markers on his credit file has been distressing for him. So, I think the £200 suggested by our Investigator for the distress and inconvenience he experienced is fair.

Putting things right

I understand that the vehicle has been repossessed. But PSA should have ended the agreement and collected the vehicle when it was found out that the vehicle wasn't of satisfactory quality, and it had been misrepresented to Mr M. So, I don't need to say that the vehicle should be collected from Mr M.

But having thought about everything above along with what is fair and reasonable in the circumstances I uphold this complaint and direct PSA to:

- End the agreement with nothing further to pay from the date Mr M was told he could cancel his direct debit and he could not use the vehicle (I understand this was March 2023).
- Refund any payments Mr M has made either to PSA or the third-party debt collection organisation after the above time.
- Refund Mr M's deposit of £2,154.
- Pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement.
- Pay a further amount of £200 for any distress or inconvenience that's been caused.
- Remove any negative entries from Mr M's credit file in respect of this agreement.

If PSA considers that it's required by HM Revenue & Customs to withhold income tax from the interest part of my award, it should tell Mr M how much it's taken off. It should also give Mr M a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've explained, I uphold Mr M's complaint. Stellantis Financial Services UK Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 February 2025.

Andy Burlinson
Ombudsman