

The complaint

Mr A complains that AutoMoney Limited trading as AutoMoney Motor Finance supplied him with a car that wasn't of satisfactory quality under a hire purchase agreement.

What happened

In November 2023, Mr A acquired a used car financed by a hire purchase agreement from AutoMoney. The car was around 7 years old and had travelled around 62,000 miles. The cash price of the car was £19,090. Mr A paid a deposit of £4,090 and the remainder was financed by the hire purchase agreement. Mr A was required to pay an initial repayment of £469.83, followed by 69 repayments of £420.83 and a final optional payment of £519.83 if Mr A wanted to own the car at the end of the agreement.

Five days after taking possession of the car Mr A took it to a garage which identified a possible oil leak around the engine and turbo boost downpipe. It noted the oil level was around 25% and it topped it up by a further 1.25 litres. Soon after this Mr A also discovered water ingress in the passenger footwell. He raised his concerns about the quality of the car to AutoMoney.

The car was taken to the supplying dealer who, according to AutoMoney, found no faults with the car. AutoMoney says it paid Mr A £200 compensation for any inconvenience caused.

In January 2024, Mr A had to pay for the car to be towed to the supplying dealer due to a problem with the engine. The supplying dealer says it fixed the water ingress issue, cleaned the downpipe and tightened a loose pipe which it said was the cause of some minor oil residue on the engine. These repairs took around two weeks to complete.

Within a week Mr A took the car to a manufacturer approved garage as there was a warning concerning the AdBlue and the engine was knocking and the car was underpowered. This garage found the water ingress issue was still present, that the downpipe had oil around it due to a possible problem with a seal. It found the engine oil level to be around 50% and the cam chain may have failed. It also found some electrical issues.

The car was taken back to the supplying dealer to carry out repairs. It appears the repairs took around seven weeks to be completed. About a month after these repairs Mr A complained to AutoMoney about high oil consumption in the car. AutoMoney arranged for an independent inspection of the car which took place in late June 2024. This found that the car had no oil and the boost downpipe was saturated in oil.

Around a week later a different garage found that the car required a new engine. However, AutoMoney concluded that it was not responsible for putting right any faults with the car. It said this was because the supplying dealer had explained that Mr A had not adequately maintained the car. It said he had run it low on oil which had caused the problems with the engine.

Our investigator recommended the complaint be upheld. She was persuaded that the car

was not of satisfactory quality when it was supplied. She recommended Mr A be allowed to reject the car and that AutoMoney refund any payments Mr A had made while he was unable to drive the car as well as refunding costs he paid for diagnostics, repairs and having the car towed.

AutoMoney did not accept that outcome, so the complaint has been passed to me for 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 A acquired the car under a hire purchase agreement and our service is able to consider complaints relating to these sorts of regulated consumer credit agreements. The Consumer Rights Act 2015 ("CRA") covers agreements like the one Mr A entered into. The CRA implies terms into the agreement that the goods that are supplied are of satisfactory quality. AutoMoney is the "trader" for the purposes of the CRA and is responsible for dealing with a complaint about the quality of the car that was supplied.

The CRA says that the quality of the goods is satisfactory if they meet the standard a reasonable person would consider satisfactory – taking into account the description of the goods, the price and all other relevant circumstances. I think the other relevant circumstances here include the age and mileage of the car at the point of supply.

The car was used, around 7 years old and had covered around 62,000 miles when Mr A took possession of it. It had a cash price of £19,090. What would be considered satisfactory would therefore be considerably different if Mr A had acquired the same car brand new and at a greater cost. However, I consider it still ought to have been clear of defects and been reasonably durable.

AutoMoney and the supplying dealer have been strongly of the view that the issues with the car are due to Mr A's lack of maintenance, specifically that he has deliberately (or at least negligently) been driving it with low or no oil. I've found what they have said around this not to be particularly persuasive. I'll explain why.

Within five days of taking possession of the car another garage identified a possible oil leak. At this stage the oil level was noted at 25% and a further 1.25 litres of oil was added. The supplying dealer has incorrectly stated this meant the car had around 5.53 litres of oil after the top up. This can't be right. The supplying dealer accepted the oil capacity of the car was 6.52 litres. 25% of this is 1.63 litres. Therefore, after the top up of 1.25 litres there was approximately 2.88 litres of oil, in other words it was around 44% full.

This is particularly relevant because around two months later when Mr A had the car inspected by a different garage, that garage found the oil level to be around half. In that time Mr A had travelled around 4,000 miles in the car. The supplying dealership has sought to argue that the car would use up around 1.2 litres of oil every 1,000 miles. Therefore, the evidence available here demonstrates that Mr A must have been regularly topping up the oil and that the supplying dealer and AutoMoney's suggestion that he didn't is flawed and incorrect.

Mr A has also provided us with receipts where he has periodically purchased engine oil, so overall I'm satisfied he was topping up oil in the car regularly. While I accept Mr A has driven substantial mileage in a relatively short period of time, and I accept the premise that this means oil will need topping up more regularly, I've not seen anything to persuade me that

the issues with the car now are down to poor maintenance by Mr A.

I've noted that the supplying dealer attempted several repairs on the car and Mr A was without it for around two months while those repairs were being carried out. Yet, despite these attempted repairs the underlying problem persisted. There appears to be an oil leak somewhere in the car and this has caused problems with the engine to the extent it now requires replacement.

Even the independent inspection which was instructed by AutoMoney noted that the turbo boost downpipe was saturated in oil and that it had clearly been like that for a significant amount of time. While it concluded there was no visible oil leak in the engine, it didn't conclusively say there was no oil leak in the car at all. A suspected oil leak was reported as early as five days after Mr A took possession of it, and numerous other inspections have found the same since.

I've already explained why I've not found the supplying dealership's comments about the oil consumption and Mr A's maintenance to be persuasive. However, I'm also not persuaded that its attempts at repairing faults with the car were adequate. I say this because it appears it tried to fix the water ingress issue in January 2024 but had to carry out further repairs in relation to this when the car was returned again a month later. Further, the car was continually returned for issues with the engine and possible oil leaks but these issues remained after the dealership had inspected the car and carried out repairs.

I'm satisfied there were clearly problems with an oil leak and issues with the engine itself at the point of supply and this made the car of unsatisfactory quality. Mr A had to have the car towed to the supplying dealer because of problems and the available evidence shows the car was not low on oil at this time. While I accept the engine had no oil at the time of AutoMoney's inspection in June 2024, I've seen that Mr A purchased five litres of engine oil only a matter of weeks before that. Further, as I've stated, that inspection found that the boost pipe was saturated in oil and that this was clearly a historic problem. This indicates there was a leak which would likely increase the consumption of oil.

I realise that the dealership has also said that a low oil warning light would have signalled on the dash and that Mr A would therefore have been warned before all the oil ran out. Mr A says no warning light has ever illuminated. I've found what Mr A has said to be plausible.

I say this because the inspection carried out by the manufacturer approved garage in February 2024 noted that there were a number of electrical faults with the car. These faults appear to link to functions on the dash, which might potentially impact certain warning lights appearing. I'm therefore persuaded that it's more likely than not the reason there was no oil in the car during the inspection in June 2024 was because there was an underlying problem causing excessive oil consumption and that no warning was displayed to Mr A because of issues with the electrics on the car.

But even if there was a warning light which Mr A ignored, I'm still satisfied that there were issues with oil consumption and the engine many months prior to this, which were not caused by anything Mr A did or didn't do. I'm satisfied that the engine was already showing signs of damage given that issues with low power and knocking noises were reported as early as February 2024. So, I consider it was always inevitable that the engine would require replacement prematurely as the underlying issue was not rectified by the supplying dealer.

Based on everything I've seen, I'm not persuaded that the current issues are due to Mr A's actions (or lack of action). I'm satisfied the car was supplied with an underlying problem in relation to a potential oil leak and that this had already impacted the performance of the engine. I think the supplying dealership has already attempted to repair these issues without

success and therefore Mr A ought to now be entitled to reject the car.

While the repair attempts the supplying dealership carried out throughout January to April 2024 were done without Mr A notifying AutoMoney, I'm satisfied this hasn't caused any material detriment to AutoMoney. It asked the supplying dealer to arrange repairs on its behalf in December 2023, so I'm persuaded this is what it would have done with the other repairs had Mr A referred the matter back to AutoMoney then.

As Mr A did not have use of the car for around two months in total between January and April 2024, I don't think it's fair he should have to pay for any use of it during that time. Further, he has had no use from July 2024 onwards and therefore for the same reasons it wouldn't be fair for him to pay for the car from then either.

I think AutoMoney can therefore only retain five of the monthly payments under the finance agreement and anything else Mr A has paid to it in excess of that amount (including his deposit) should be refunded to him. AutoMoney should add 8% simple interest per year on those overpayments from the date of each overpayment to the date of settlement. This is because Mr A has been deprived of using that money elsewhere.

Mr A has also incurred additional costs as a result of the car not being of satisfactory quality. This has included paying £958.75 to have the car towed and £204 for diagnostics in February to ascertain what faults were present on the car. I consider these costs should be refunded to Mr A as he would not have incurred them if the car had been of satisfactory quality.

Lastly, Mr A has asked for his alternative transport costs to be refunded. I don't think that would be reasonable as I'm already directing a refund of the payments for this car while he didn't have use of it. I'm satisfied he would always have had to pay something to stay mobile. However, Mr A has been inconvenienced throughout the time he was using the car. He needed to make multiple trips to the supplying dealership and other garages to diagnose and rectify faults. He also needed to arrange alternative transport while the car was in for repairs. Taking everything into consideration, I think AutoMoney should also pay a further £300 compensation for the distress and inconvenience caused.

My final decision

For the reasons given above, I uphold this complaint. I direct AutoMoney Limited trading as AutoMoney Motor Finance to:

- End the hire purchase agreement with nothing further to pay.
- Collect the car at no cost to Mr A.
- As Mr A only had use of the car for five months, AutoMoney can only retain five monthly repayments. Anything Mr A has paid in excess of this (including his deposit) should be refunded to him.
- Refund £958.75 Mr A paid for having the car towed to the supplying dealer in January 2024.
- Refund £204 Mr A paid for a diagnostic report in February 2024.
- Pay 8% simple interest per year on each of the above refunds from the date of each payment to the date of settlement.
- Pay £300 compensation for the distress and inconvenience caused.
- Remove any adverse information recorded on Mr A's credit file in relation to this credit agreement.

If AutoMoney considers tax should be deducted from the interest element of my award it should provide Mr A with a certificate showing how much it has taken off, so he can reclaim

that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 January 2025.

Tero Hiltunen
Ombudsman