

The complaint

Mr M is unhappy that a car supplied to him under a hire purchase agreement with Startline Motor Finance Limited was of an unsatisfactory quality.

What happened

In January 2024, Mr M was supplied with a used car through a hire purchase agreement with Startline. He paid a £500 deposit and the agreement was for £12,700 over 48 months; with 47 monthly payments of £360.06 and a final payment of £370.06.

Mr M wasn't happy with the car when it was delivered to him, and he raised a number of issues with the car with both the supplying dealership and Startline. While Startline originally arranged for the car to be repaired, the faults remained after this repair attempt. So, Startline agreed that Mr M could reject the car. They also offered him £250 compensation to put things right.

Mr M wasn't happy with Startline's compensation offer, and he brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator said that, as Startline had already allowed the car to be rejected, the faults with the car didn't need to be considered. Nor did Mr M's comments about the car being mis-sold to him, as rejection was the likely outcome if a mis-sale had happened.

However, the investigator didn't think Startline had done enough to compensate Mr M. While Mr M had been offered a courtesy car while the one supplied to him was being repaired, this wasn't suitable for his needs. So, Mr M upgraded this at a cost of £540, which the investigator thought Startline should reimburse. The investigator also thought Startline should refund Mr M's deposit, reimburse 10% of the payments he'd made because of the impaired usage he'd had of the car, and pay him a further £200 compensation.

Startline didn't agree with the investigator's opinion. They said Mr M had use of the car while it was in his possession, and he'd declined repairs at a specific garage twice, which added avoidable delays. So, while they acknowledged Mr M was driving a car with faults, they felt his impaired usage of the car could've been avoided. So, they didn't think they needed to reimburse any of the payments.

Startline also didn't agree they should pay for the hire car upgrade, and they thought the £250 they'd offered was sufficient compensation.

The investigator revised their opinion, explaining why they still thought Startline should reimburse the hire car costs, as well as refunding the deposit and reimbursing 10% of the payments Mr M made. However, the investigator also explained that, although Startline had offered Mr M £250 to cover the car tax and insurance he'd paid, this isn't something we would normally say they had to do. So, the £250 already paid was sufficient for the trouble and upset Mr M had suffered, and no additional payments were required.

Startline still didn't agree with the investigator's opinion, and they asked that this matter be passed to an ombudsman 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 M was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

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, Startline 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 Startline can show otherwise. So, if I thought the car was faulty when Mr M 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 Startline to put this right.

In this instance, it's not disputed there was a problem with the car supplied to Mr M, nor that this fault made the car of an unsatisfactory quality. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think Startline should do to put things right.

Putting things right

When Mr M was supplied with the car, it had done around 87,000 miles. When the MOT was completed four months later, the car had done around 91,000 miles. So, I think it's fair to say that Mr M had use of the car while it was in his possession. As such, I think it's only fair that he pays for this usage.

However, Mr M was having issues with the stop start function, the windscreen wipers not working, and he's also said the suspension wasn't as advertised. Mr M first reported these issues on 5 February 2024 and Startline arranged for the car to be repaired on 6 March 2024. The garage they'd arranged to do the work was around 18-miles from Mr M's home address, and a courtesy car was being provided. While I appreciate Mr M's comments about how this wasn't convenient to him, I agree with the investigator that it wasn't unreasonable to ask him to travel 18 miles to have the car repaired.

While there were delays in getting the car repaired due to Mr M's reluctance to travel to the garage Startline arranged, the car was eventually repaired and returned to him on 23 April 2024. However, the faults with the car remained.

Given the above, I'm satisfied that Mr M's usage and enjoyment of the car was impaired. Because of this, I also think it's fair that Startline refund some of the payments he made. And I think 10% of the payments made fairly reflects the impaired use caused by the car not being of a satisfactory quality. However, this refund should only be applied for the period 5 February to 6 March 2024, and from 23 March 2024 until the agreement was unwound.

Turning now to the hire car charges, Mr M was provided with a courtesy car to keep him mobile while the car supplied by Startline was being repaired. However, the courtesy car was substantially smaller than the car supplied by Startline and wasn't suitable for his needs of sufficient space to transport equipment needed for his employment. Whilst I wouldn't expect Mr M to be provided with a like-for-like car, I would expect the courtesy car to be suitable for his needs. And in this case, it wasn't.

Mr M had the courtesy car from 4 to 23 April 2024, and it was provided by a third-party hire car company. Had he been provided with a courtesy car that was unsuitable for his needs, I would be considering a full refund of payments, and an increased award for the distress and inconvenience Mr M was caused. However, in this instance, Mr M was able to upgrade the courtesy car to one that had the size suitable for his needs, at a cost of £27 a day. I don't consider this to be entirely unreasonable, and in the circumstances I think it's fair that Startline reimburse these costs.

Finally, I think Mr M should be compensated for the distress and inconvenience he was caused by the above. But crucially, this compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available.

Startline has already paid Mr M £250 to recognise the distress and inconvenience he was caused. And having considered this recommendation, I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward. So, I won't be asking them to pay anything more.

Therefore, if they haven't already, Startline should:

- end the agreement with nothing more to pay;
- collect the car at no cost to Mr M;
- remove any adverse entries relating to this agreement from Mr M's credit file;
- refund the deposit Mr M paid (if any part of this deposit is made up of funds paid through a dealer contribution, Startline is entitled to retain that proportion of the deposit);
- refund the equivalent of 10% of the payments made between 5 February 2024 and 6 March 2024, and from 23 April 2024 until the agreement was ended;
- upon receipt of proof of payment, refund Mr M the hire car costs he incurred between 4 and 23 April 2024; and
- apply 8% simple yearly interest on the refunds, calculated from the date Mr M made the payments to the date of the refund[†].

[†]If HM Revenue & Customs requires Startline to take off tax from this interest, Startline must give Mr M a certificate showing how much tax they've taken off if he asks for one.

My final decision

For the reasons explained, I uphold Mr M's complaint about Startline Motor Finance Limited. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 April 2025.

Andrew Burford
Ombudsman