

Complaint

Miss P has complained about the quality of a car that Toyota Financial Services (UK) PLC ("Toyota FS") supplied to her through a hire-purchase agreement.

Background

In February 2024, Toyota FS provided Miss P with finance for a used car. The car was just under nine years old and it is my understanding that it had completed around 61,000 miles at the time of purchase. The cash price of the vehicle was £12,736.00.

Miss P paid a cash deposit of £500, received a part exchange of £657.19 for her previous vehicle and applied for finance to cover the remaining £11,578.81 she needed to complete her purchase. Toyota FS accepted Miss P's application and entered into a 60-month hire-purchase agreement with her.

The loan had an APR of 10.9%, interest, fees and total charges of £3,315.99 and the total amount to be repaid of £14,894.80 (not including Miss P's deposit) was due to be repaid in 59 monthly instalments of £248.23 and followed by a final monthly payment of £249.23.

Miss P says that even before she took delivery of it, she raised concerns about the appearance of the car as she felt that the front of it appeared to be a different shade of blue to the rest of it. Miss P says that she thought this may have been a respray from damage, however she reluctantly took delivery of the vehicle.

In March 2024, Miss P took the car to a local garage (who I'll refer to as garage A) as she didn't think that it felt right when she was driving it. Miss P has said that the technician removed the bumper as it was clear that this was not the one that was originally fitted on the vehicle. At this point it was noticed that some of the bolts were missing and Miss P says she was notified that this meant the bumper was not safely secured, which meant that it would not pass an MOT.

As I understand it Miss P got in contact with the supplying dealer shortly afterwards in order to try and reject the vehicle. Miss P was told she should either present the vehicle for inspection, or provide an alternative independent report. Miss P did not wish to take the vehicle to the supplying dealer and contacted Toyota FS to complain with a view to rejecting the vehicle.

Toyota FS didn't uphold Miss P's complaint. It said that many of the issues that Miss P had raised were either cosmetic or wear and tear related. It also said that as Miss P had not presented the vehicle for inspection and had not provided an independent report of her own confirming that the vehicle was faulty, it did not consider that she was entitled to reject the vehicle. Nonetheless, it did offer Miss P £25 for any distress and inconvenience she may have experienced.

After Toyota's final response, Miss P was able to obtain a copy of an inspection report from garage A. It is unclear as to whether Toyota FS had seen this report as part of the investigator's investigations.

In any event, Miss P's complaint was subsequently reviewed by one of our investigators. She thought that Toyota FS had supplied Miss P with a vehicle that was of satisfactory quality. Therefore, she did not believe that it was fair and reasonable for Miss P to reject the vehicle and she didn't uphold the complaint.

Miss P didn't accept the investigator's assessment and asked for an ombudsman to consider her complaint. So the complaint has been passed to me to decide.

My provisional decision of 14 October 2024

I issued a provisional decision – on 14 October 2024 - setting out why I was intending to uphold Miss P's complaint.

In summary, I was intending to uphold Miss P's complaint because I was satisfied that Toyota FS had supplied Miss P with a car that was not of satisfactory quality. I also set out what it needed to do in order to put things right as a result.

Toyota FS' response to my provisional decision

Toyota FS confirmed that it accepted my provisional decision and had nothing further to add.

Miss P's response to my provisional decision

Miss P initially responded to request her complaint was paused. After being told that it was not possible to pause her complaint but that an extension could be provided in order for her to respond, Miss P did not provide anything further for me to consider. This was despite being chased for a response and being told that Toyota FS had accepted the conclusions in my provisional decision.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm satisfied that what I need to decide in this case is whether the car supplied to Miss P was of satisfactory quality. Should it be the case that I don't think it was, I'll then need to decide what's fair, if anything, for Toyota FS to do put things right.

The finance agreement in this case is a regulated hire-purchase agreement, which we are able to consider complaints about. Under the hire-purchase agreement, Toyota FS purchased the vehicle from the dealership Miss P visited. Miss P then hired the vehicle from Toyota FS and paid a monthly amount to it in return. Toyota FS remained the legal owner of the vehicle under the agreement until Miss P's loan was repaid.

This arrangement resulted in Toyota FS being the supplier of Miss P's vehicle and so it is also responsible for answering a complaint about its quality.

The Consumer Rights Act 2015 ("CRA")

The CRA covers hire-purchase agreements – such as Miss P's agreement with Toyota FS. Under a hire-purchase agreement, there are implied conditions that the goods supplied will be of satisfactory quality.

The CRA says the aspects of the quality of the goods and whether they are satisfactory

includes their general state and condition alongside other things such as their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability.
Is there a fault with the vehicle?

Having considered the information provided, I've satisfied that there are a number of faults present on the vehicle. I say this because the report Miss P has provided indicates that there are at least 15 items on the vehicle - including, amongst other things, the front bumper, the radiator, and the passenger side headlight - which all require attention.

As this is the case, I'll now proceed to decide whether the faults which I'm satisfied are now present on the vehicle, means that the car wasn't of satisfactory quality at the point Toyota FS supplied it to Miss P.

Was the vehicle that Miss P was supplied with of satisfactory quality?

It's fair to say that both parties have significantly differing views on the quality of the vehicle that Miss P was supplied with. Miss P has provided lengthy submissions putting forward her arguments on why it wasn't of satisfactory quality. And Toyota FS has argued that the car has simply suffered some wear and tear which is reasonable for a vehicle of its age.

I note that Miss P hasn't presented the car to Toyota FS, or the supplying dealer for inspection as she was invited to. Nonetheless, as I've explained, Miss P has sourced a report from an independent garage since her complaint to Toyota FS and she has been able to supply us with a copy of it.

I attached a copy of the report with my provisional decision. The report is lengthy and there are some matters which I've chosen not to address in too much detail as I don't think that they add anything significant to my overall findings.

Having considered the report, while it has listed a number of things that need replacing, I'm most concerned by the fact that the engineer has said that the radiator is damaged. I accept that the report doesn't exactly state what the problem is with the radiator, when it was damaged and how this damage was caused. Nevertheless it does state that the radiator needs replacing.

The engineer's report also found that there is a crack in the passenger side headlight. I'm concerned that this would be likely to lead the car to failing an MOT – indeed this is the independent technician's conclusion. I appreciate that the car did as a matter of fact pass an MOT in January 2024, which was only a few weeks before Miss P took possession of it. But I've also noted that when the car passed its March 2022 MOT an advisory was issued as the nearside headlight had a crack in it.

I appreciate that on this occasion the crack on the headlight is on the opposite side of the vehicle. However, I'm mindful that Miss P has raised significant concerns about the front bumper as well as the front of the vehicle. And having viewed the pictures supplied, it seems to me that the vehicle has been involved in a collision at some point. I say this because it is noticeable that the front bumper that was attached to the vehicle at the time of supply wasn't the original bumper as it was initially red and the car supplied was blue.

Having viewed the pictures, of the bumper and in particular just how detached the sides are from the area just in front of the wheel arches, I have to question why Miss P, having said she noticed issues with the front bumper in the first place, didn't just simply reject the vehicle at that stage. In any event, the defects in the front bumper, the cracks in the headlight as well as the damage to the radiator, when taken together, suggest that the vehicle sustained considerable impact and it is more likely than not that it was involved in a significant collision.

That said, irrespective of whether the vehicle was involved in a more significant accident and Miss P wasn't informed of this, what is clear is that the only independent evidence that I've been provided with, indicates that Miss P was supplied with a car that has a defective radiator as well as a defective headlight.

This is even if I were to leave to one side my concerns about the front bumper as well as some of the other issues highlighted in the report. Although I do accept that it is reasonable to regard, at least, some of the issues which I've not specifically highlighted above as constituting reasonable wear and tear for a car of this age.

I accept that the car supplied to Miss P was not new and therefore Miss P can't expect to have been in a 'as new' condition. But even though the vehicle had been driven for over 60,000 miles, I still need to weigh this against the fact that Miss P had paid close to £13,000.00 for it. I think that a reasonable person would expect her to have been supplied with a vehicle that was not in a defective state, with a poorly fitted bumper, cracked headlamp and defective radiator.

I've not seen any evidence that the vehicle was supplied at a discounted price, because Miss P knew that such work needed to be carried out in the near future either. Furthermore, it's still not clear to me how damaged the radiator actually was, whether it was performing as it should and whether it may have caused other damage to the engine if it wasn't working correctly.

Taking all of this into account, I think that the fact a few fundamental components – the radiator, headlight and front bumper – need repair coupled with the aggregation of other issues that require some kind of attention, such a short period after Miss P acquired it, means that I don't think the car was of satisfactory quality when Toyota FS supplied it to Miss P.

What Toyota FS needs to do to put things right for Miss P

I've gone on to think about what Toyota FS needs to do to put things right as a result of supplying her with a vehicle that was not of satisfactory quality.

Miss P has told us that she no longer has any confidence in the vehicle and wishes to reject it. I've considered whether this would be an appropriate remedy here – particularly as the CRA sets out that a supplier can have one attempt at a repair and Toyota FS hasn't as yet had that.

However, I'm mindful of the circumstances here and in particular that there is quite a bit of work to be done on the vehicle so soon after it was acquired. It's unclear how long the radiator has been faulty and how long it has been in need of replacement. It's also fair to say that the radiator is fundamental to cooling the engine and it is not inconceivable that the car may have sustained some as yet undiagnosed engine damage.

As I've previously explained, there is also likely a need to look at the front bumper and consider any previous accident damage that took place. So it's clear that any repair is unlikely to be limited to simply replacing the radiator and repairing or replacing the passenger side headlight.

Bearing this in mind as well as the fact that it looks like the relationship between Miss P and Toyota FS and the supplying dealer, which Toyota FS is likely to rely on to carry out any repairs on its behalf, has broken down, I'm not persuaded that there is a sound rationale for

a repair to take place at this stage.

In these circumstances, I'm currently minded to conclude that the fair and reasonable resolution here would be for Miss P to reject the vehicle and for Toyota FS to collect it from her. As Miss P will have rejected the vehicle I'm satisfied that Toyota FS should end its agreement with her and ensure that she has nothing further to pay on it.

This will seek to place Miss P in the position she would be in had she not entered into the hire-purchase agreement in the first place, so I'm satisfied that Toyota FS should refund Miss P the £500 cash deposit she paid, as well as the £657.19 part exchange value used towards this agreement, with interest at 8% per year simple.

It appears to be the case that Miss P has had very little use of the vehicle, if any, since Toyota FS supplied it to her. It's my understanding that she has continued making payments to the agreement, despite this and having made her own arrangements for an alternative vehicle. As this is the case, I'm currently intending to say that Toyota FS should refund all of the payments that Miss P has made, plus interest at 8% a year simple.

I've also considered the distress and inconvenience that Miss P experienced. I appreciate that Miss P has experienced some distress and inconvenience as a result of being supplied with a vehicle that was not of satisfactory quality and it has not only taken up some of her time to deal with this, it is some time that she's been left with a car that isn't of satisfactory quality.

That said, it would be remiss of me not to consider the fact that both Toyota FS and the supplying dealer invited Miss P to present the car for inspection or provide an independent report shortly after the sale. Yet Miss P did not obtain one until July 2024 and even then she did not supply a copy of this report to Toyota FS. Therefore, it would be wrong of me to hold Toyota FS wholly responsible for the fact that matters have not been resolved prior to my decision.

Having considered all of this in the round and while I accept that Miss P did experience some distress and inconvenience as a result of Toyota FS supplying her with a car that was not of satisfactory quality, I'm not requiring Toyota FS to pay Miss P anything more than the £25 it already agreed to pay in its final response, as a result of any distress and inconvenience experienced.

So overall, I'm upholding Miss P's complaint. Toyota FS should put things right in the way that I have set out below.

Fair compensation – what Toyota FS needs to do to put things right for Miss P

Overall and having considered everything, I'm satisfied that it would be fair and reasonable for Toyota FS to put things right for Miss P by:

- collecting the car from Miss P at no cost to her;
- ending the hire-purchase agreement and ensuring that Miss P has nothing further to pay. Toyota FS should also remove any adverse information it may have recorded against Miss P as a result of this agreement from her credit file;
- refunding her deposit, the value of the part exchange for her previous car and all of the payments that she made to the agreement from the outset;

- subject to her providing evidence of payment, reimbursing Miss P any costs she may have incurred obtaining the technician's report she's provided;
- adding interest at 8% per year simple on any refunded, or reimbursed, payments from the date they were made by Miss P to the date the complaint is settled†;

† HM Revenue & Customs requires Toyota FS to take off tax from this interest. Toyota FS must give Miss P a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained above and in my provisional decision of 14 October 2024, I'm upholding Miss P's complaint. Toyota Financial Services (UK) PLC should put things right in the way I've directed to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 9 December 2024.

Jeshen Narayanan
Ombudsman