

The complaint

Mr M complains that LEASYS UK LTD (“Leasys”) supplied him with a car that wasn’t of satisfactory quality at the point of supply.

What happened

Mr M acquired a new car using a hire agreement with Leasys in September 2020. The supplying dealership, who I’ll refer to as (“Garage A”) going forward was a manufacturer approved dealership. The agreement was for 48 months, which involved an initial rental of £1,146.42 needing to be paid, followed by 47 monthly rentals of £382.14. The total mileage permissible under the contract was 40,000 (10,000 miles per year). The agreement was taken out without a maintenance or servicing option for the car.

The car was serviced in October 2021 by Garage A to, *“Carry out 1st annual service inspection as per manufacturer’s service schedule.”*. The mileage recorded on the service job sheet was 16,105 and it showed Mr M was also charged £48 excluding VAT for engine oil.

Mr M said he didn’t have an issue with the car until he heard a noise from the engine. In early October 2023, Mr M said he took the car to be serviced at another garage, who I’ll refer to as (“Garage B”). The mileage recorded on the job sheet by Garage B was 51,080 Km (approximately 31,740 miles). The job sheet said:

*“Check for noise and struggling to turn over
Drain engine oil – find [sic] metallic substance through engine oil. Turbocharger impeller broken up and got into engine
Change oil filter and refill with clean engine oil
Engine taking a while to build up oil pressure to start*

Vehicle needs new complete engine and turbocharger”

Mr M said he was told the repairs to the car would cost around £5,000.

In October 2023, Mr M sent an email to Garage A. In his email, he told them what Garage B had identified and that the car needed a replacement engine and turbo. Mr M said Garage B found the oil filter was the original filter that had been supplied with the car, which Mr M suggested meant that the filter wasn’t replaced during the October 2021 service.

In the same month, Mr M contacted our service to complain about Leasys as he believed the issue with the engine and turbo was a manufacturing fault. Mr M was unhappy as he said he had to hire another car while his was out of use, as well as for having to pay for repairs.

Our service gave Leasys time to investigate the complaint as it didn’t seem they had the opportunity to do so.

Leasys provided their final response to Mr M in February 2024. Leasys explained that the car was supplied with a three-year manufacturer’s warranty for mechanical, electrical and

cosmetic repairs, but the car was now outside of this warranty period. So, Leasys explained that they were not obliged to assist with the cost of repairs. Leasys went on to say that the car was not serviced by the manufacturer, which subsequently would have voided the warranty. And so, they didn't uphold Mr M's complaint.

Mr M disagreed with Leasys' final response. Among other things, he said he was told by Garage A to book a service elsewhere as they were fully booked. And Mr M questioned the length of the three-year warranty period, considering the agreement for leasing the car was for 48 months.

Mr M confirmed to our investigator that repairs had been carried out. He also provided invoices for:

1. 18 October 2023 – the hire of another car for 20 days at a cost of £857.04. The name listed on the invoice and who hired the car was not Mr M.
2. 20 October 2023 – sourcing an engine from a salvage yard at a cost of £2,640. This was paid for in cash.
3. 27 October 2023 – the labour for the replacement of the engine, including various parts such as an oil filter and engine oil at a cost of £1,800.

Our investigator upheld Mr M's complaint. In summary, she found that there was a fault with the car, having seen the job sheet from Garage B in October 2023. And she concluded that the car wasn't durable, as it needed a new engine at only three years from when it was supplied. So, she didn't think the car was of satisfactory quality at the point of supply.

To put things right, our investigator directed Leasys, among other things, to reimburse Mr M the cost of the repairs carried out; reimburse a pro rata of Mr M's monthly rentals to cover the period the car was being repaired and not driveable; and pay £200 for the distress and inconvenience caused by this complaint.

Mr M responded and said he accepted our investigator's view.

Leasys responded and said they disagreed with the investigator's findings. Among other things, they said they didn't believe Mr M had the car serviced in line with the manufacturer's guidelines. They said that while the car's first service took place in 2021, subsequent services were not carried out as per the manufacturer's recommendations.

Leasys believed that if Mr M had adhered to the servicing schedule, it could have potentially highlighted any emerging concerns with the car and they could have been addressed at an earlier stage, which potentially could have mitigated the need for extensive repairs later on.

Our investigator responded to Leasys and said she didn't believe the issue with the engine and turbo could have been avoided by servicing the car sooner. As a metallic substance was found inside the engine, which was the turbocharger impellor, the investigator believed it was reasonable to say these parts failed prematurely and the car wasn't reasonably durable.

The investigator went on to say that while the issues may have occurred outside of warranty, Mr M was supplied with a brand-new car which required a major repair after three years, so she was satisfied the car wasn't durable and wasn't of satisfactory quality when supplied.

As Leasys disagreed, the complaint was passed to me to decide.

Mr M has confirmed the agreement has now ended and the car has been returned.

I issued a provisional decision on 15 November 2024 where I explained why I didn't intend to uphold Mr M's complaint. In that decision I said:

"Mr M complains about a car supplied to him under a hire agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mr M's complaint about Leasys.

When considering what's fair and reasonable, I take into account relevant law and regulations. The Consumer Rights Act 2015 ("CRA") is relevant to this complaint. The CRA explains under a contract to supply goods, the supplier – Leasys here – has a responsibility to make sure goods are of satisfactory quality. Satisfactory quality is what a reasonable person would expect – taking into account any relevant factors. So, it's important to note here that the car Mr M acquired was brand-new and I think a reasonable person would expect it to be in excellent condition, with no faults or issues. And I think they would expect trouble free motoring for a significant period.

To decide whether the car was of satisfactory quality at the point of supply, I first need to consider whether the car developed a fault.

The October 2023 job sheet Mr M supplied says that the "Vehicle needs a new complete engine and turbocharger" and this was due to finding a "metallic substance through engine oil" which came from a broken-up turbocharger impeller. I'm satisfied there was a fault with the car and specifically to its engine and turbocharger, which needed replacing due to a part of the turbocharger breaking.

As I'm satisfied there was a fault with the car, I've needed to decide whether the car was of satisfactory quality at the time of supply.

Mr M believes the issue with the engine and turbo was a manufacturing fault. On the other hand, Leasys believes the fault occurred due to the car not being maintained in line with the manufacturer's recommendations.

I searched for a copy of the owner's manual for this particular car in order to review its maintenance plan and the required maintenance intervals. But I was unable to find one specific to this car's engine and also one applicable to UK registered cars. However, from what the manufacturer's own website says, their cars should be serviced every 6 to 12 months or every 6,000 miles to 12,500 miles, depending on the model acquired and the fuel type. So, I think it is most likely from what I've seen that the maximum is either 12 months or 12,500 miles in between services, whichever comes first.

The car was first serviced less than a couple of weeks over a year from when it was supplied, at around 16,100 miles. Mr M was also charged for engine oil during this service. I think a reasonable person would assume that the engine oil was replaced during this service as it had been purchased. I also haven't seen anything to suggest an oil change was undertaken before this service. So, I think it is likely that the car's first oil change occurred at least over 3,600 miles, above its first recommended service.

On this service record, it also noted "Next Service Due: 17/08/22".

Mr M says the car was next serviced in early October 2023. However, having seen the job sheet from Garage B, I'm not persuaded that this was an attempt to service the car. I say this because, the job sheet doesn't suggest a service was being conducted, but rather, the first line of the mechanic's comments say that it was being checked due to a, "...noise and struggling to turn over". Mr M also said he took the car to Garage B, "...after hearing an

awful noise from the engine...". So, I think it's likely the engine had already failed by the time the car was taken to Garage B.

But even if I was to set this aside and accept that the October 2023 investigation by Garage B was a service, it took place a little under two years from its first service, and around 15,640 miles later. Again, I haven't seen anything to suggest that an oil change occurred in between the services and Mr M hasn't said so either. So, it's likely the engine oil hadn't been replaced within 12,500 miles, or one year since October 2021. And this would suggest the car was significantly past the point where it should've been serviced again.

Mr M has said that he expected to have received reminders from Garage A or Leasys to service the car on a regular basis. But I don't think it is Leasys' responsibility to remind Mr M of his obligations to service and maintain the car in line with the agreement he signed.

I've thought carefully about the impact of not servicing the car and in particular replacing the engine oil in line with the manufacturer's recommendations – and what that could do to an engine and turbocharger. While I'm not a mechanic, my understanding is that a common reason a turbocharger fails is oil related, such as due to contaminated oil, or oil starvation. My understanding is that over time, contaminants can build up in oil and this can cause abrasive damage to parts, such as a turbocharger.

Thinking about everything here, I haven't seen enough, on balance, to persuade me it's most likely the engine and turbo failed due to a fault present or developing at the point of supply.

I've noted that the investigator for this complaint upheld this complaint as she didn't think the car was durable. However, I haven't seen enough to make me think this was most likely the case, given what I've noted above about the servicing. It follows that I do think the car was of satisfactory quality at the point of supply and so, I don't think there is anything Leasys needs to do in this instance."

Responses to the provisional decision

Leasys didn't respond before the deadline I set.

Mr M responded and said he didn't agree nor accept the provisional decision and also said he didn't have anything further to say.

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.

As Mr M didn't have anything further to add and Leasys didn't respond, I see no reason to depart from what I said in my provisional decision.

So, in summary, I don't think Leasys need to do anything to put things right.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 December 2024.

Ronesh Amin
Ombudsman