

The complaint

Miss S complains that the car she acquired through Stellantis Financial Services UK Limited trading as PSA (“SFS”) wasn’t of satisfactory quality. She says there was a catastrophic fault with the car, and despite investigations and repairs, she experienced further issues within a week. Miss S wants to reject the car.

What happened

Miss S entered into a hire purchase agreement in August 2022 to acquire a used car. The cash price of the car was £17,000, and with an advanced payment of £4,000, the credit advanced to Miss S was £13,000. The credit agreement was set up over a term of 48 months and Miss S’ monthly payments were set at £246.94, with a final payment of £6,188.00. At the time of acquisition, the car was 21 months old, and had been driven less than 25,000 miles.

Miss S told us:

- the car went into limp mode on 14 March 2024 when an oil pressure warning light illuminated;
- she took the car to her local garage for some diagnostics, and a problem with the engine was identified; the wet belt had shredded and deposited particles into the oil;
- the mechanic said the car would likely need a new engine, and suggested the car be sent to the manufacturer as they’d come across a number of similar problems with this make and model of car;
- she booked the car in with the manufacturer approved garage, but wasn’t able to get an appointment for several weeks, and was advised that the engine would need a full strip down;
- following the strip down, it was confirmed that the car would need a new engine, even though the car was less than four years old;
- she’s been supplied with a faulty car, and although she’s continued to make her monthly payments, she not getting the service that she expected when she acquired the car;
- she collected the car, but within a week it would not start, so in all, she’s been without the car she’s been paying for, for a number of months;
- the situation has affected her mental health and caused stress and anxiety; it’s impacted her ability to get to work and to do the school run – she’s had to rely on other people for help;
- she initially wanted to reject the car, but the lack of any engagement from SFS forced her to sell the car privately and use the proceeds to settle her finance agreement;
- the sale proceeds came to £10,030.78 and she contributed a further £654.27 to end her agreement.

SFS started investigating this complaint in May 2024, but after eight weeks it said Miss S could bring her complaint to this Service as it simply hadn’t been able to provide her with a *final response*. But it said it would like to reassure Miss S that it was “*continuing to look into the issues you’ve raised with us*”.

Our Service asked SFS for its business file on 15 September 2024, but no file was forthcoming. Miss S's complaint was assigned to one of our Investigators and they contacted SFS to introduce themselves and request its business file again.

Our investigator told SFS that they would have no option but to consider Miss S's complaint and issue their assessment on the basis of the evidence on file. And they explained they were permitted to do this under the rules that govern our Service; specifically, DISP 3.5.14R and DISP 3.5.9R(3), allow this in the interests of resolving complaints quickly. But none of our communications were acknowledged, and no business file was forthcoming.

Our Investigator looked at this complaint and said that she thought it should be upheld. She said there were clearly things that had been wrong with the car – garage reports from Miss S' local garage, and the confirmation from the dealership that the car had engine damage likely caused by a fault with the wet belt which presented in March 2024, when the car had only travelled just over 40,000 miles, *only* 18,000 of which had been by Miss S – and she didn't think that SFS had acted fairly in the circumstances.

She said that although she'd seen nothing to confirm that the fault was present or developing at the point of supply, she'd gone on to consider the car's durability, and in summary, she didn't think it was reasonable for a car of this age and mileage to experience an engine failure of this nature. In short, Miss S ought to have been able to expect the car to have run for a longer period without needing such significant repairs – so it likely was not of satisfactory quality when supplied.

Our investigator said that because the faults occurred after six months, it wasn't appropriate for Miss S to be able to reject the car; SFS would be entitled to one opportunity to repair before any right to rejection could apply. And although there'd been a further issue with the car just a week after it had been returned to Miss S, there was insufficient evidence to confirm that the repair had failed, and SFS had not had an opportunity to investigate things.

Our investigator set out what she thought SFS needed to do to put things right, and she asked SFS to pay Miss S some compensation for the distress and inconvenience it had caused.

SFS hasn't responded or agreed to our Investigator's view sent on 23 October 2024, and it didn't respond when our Investigator contacted it again on 8 November, and again on 18 November, so the complaint comes to me 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 considered all the evidence and testimony afresh, I've reached the same conclusion as our Investigator and for broadly the same reasons. I'll explain why.

The hire purchase agreement entered into by Miss S is a regulated consumer credit agreement which means that this Service is able to consider complaints relating to it. SFS is also the supplier of the goods under this type of agreement, and it 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".

To be considered “satisfactory” the goods would need to meet the standard that a reasonable person would consider satisfactory – taking into account any description of the goods, the price and other relevant factors. Those factors, in the case of a car purchase, will include things like the age and mileage of the car at the time of sale, and the car’s history.

The quality of the goods includes their general condition and other things like their fitness for purpose, appearance and finish, safety and durability.

I’ve seen evidence in the form of testimony from Miss S, as well as a copy of summary diagnostics that support the timeline of issues and events that she describes. And despite multiple attempts to obtain information and a business file from SFS over a number of months, no information has been forthcoming. Accordingly, I’ve no option but to base my decision on the evidence that I have seen.

Taking all this into account, I’ve concluded that based on the limited time that Miss S has had the car, the car supplied by SFS was not suitably durable. Put simply, a reasonable person would not expect to experience these problems in a car of this age, and so soon. In summary, the wet belt shouldn’t have degraded so soon, with debris contaminating the oil, resulting in low oil pressure and complete engine failure – and the need for a complete engine replacement. So, on balance, I don’t think the car was durable and it therefore wasn’t of satisfactory quality when supplied.

I understand that because of the ongoing issues and frustration caused, Miss S sold the car and settle the finance agreement thereby ending her relationship with SFS in this matter. But there still remains the issue of compensating Miss S for the period in which she was unable to use her car, and for the distress, worry, anxiety and inconvenience that she’s experienced.

Miss S has described in some detail the anxiety that she felt because of what happened, and the lengthy period of time she was without a car yet continued paying her monthly payments as set out in the credit agreement. And she’s told us about how this impacted her work and her day-to-day life. I’m satisfied that she paid for a car that she wasn’t able to use, and she experienced a loss of enjoyment in terms of using the car. Because of this, I’m going to ask SFS to refund her some monthly rentals, together with some expenses she incurred and I’m going to ask it to pay her some compensation in recognition of the anxiety and worry it caused.

Putting things right

I direct Stellantis Financial Services UK Limited trading as PSA to put things right by doing the following:

- Reimbursing Miss S £183.33 in respect of the cost of the diagnostic that she paid for;
- Refunding all monthly payments from 14 March 2024 to 26 July 2024 in respect of loss of use of the car because of the inherent quality issues;
- Paying 8% simple interest on the refunded and reimbursed amounts from the time these payments were made to the date of settlement*.
- Paying Miss S £300 for the distress and inconvenience caused.

*HM Revenue & Customs requires Stellantis Financial Services UK Limited to take off tax from this interest. Stellantis Financial Services UK Limited must give Miss S a certificate showing how much tax has been taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint and require Stellantis Financial Services UK Limited trading as PSA to compensate Miss S as I've directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 12 March 2025.

Andrew Macnamara
Ombudsman