

The complaint

Mr S's complaint relates to problems he had with a car supplied to him by CA Auto Finance UK Ltd under a hire purchase agreement.

What happened

Mr S entered into a hire purchase agreement with CA Auto Finance in December 2023 to purchase a car. The cash price of the car was £19,995. The total amount due under the agreement was £29,025.85. The term of the agreement was 57 months, made up of 56 monthly instalments of £509.05 and a final instalment of £519.05. At the point of supply the car was around seven years old and had covered 40,753 miles.

It appears that the vehicle was returned to the dealership within a few days of the commencement of the finance agreement due to an engine management light. Issues with a switch cover valve, relay unit, vent line of starter battery and shut off valve were identified at this time. As a result, Mr S did not collect the vehicle until early January 2024.

Mr S has said that after driving the vehicle for a few days further problems arose. As a result, he took it back to the dealership. It was then returned to him in early February 2024 following attempted repairs.

Mr S continued to experience problems with the vehicle. As a result, he wished to reject it. There was a lot of communication between Mr S, CA Auto Finance and the selling dealership in the months that followed. Unhappy with how matters were progressing, Mr S referred the complaint to the Financial Ombudsman Service in May 2024.

An independent inspection of the vehicle was carried out in late June 2024. During this inspection a diagnostic check was carried out which revealed a number of fault codes. This included issues with the mass air flow sensor, fuel injectors, relay circuits and intake air temperature sensor. The inspector determined that these faults would have been present or in development at the point of sale.

In light of this report, CA Auto Finance issued a final response on 10 July 2024 in which it agreed to accept rejection of the vehicle. It also offered £250 in recognition of the inconvenience caused to Mr S.

Our investigator looked into matters and, on 27 August 2024, issued their findings. In short, our investigator said:

- CA Auto Finance had reached the correct conclusion in allowing Mr S to reject the vehicle;
- CA Auto Finance should reimburse all except one of the monthly payments made towards the vehicle (due to Mr S having had some use of the vehicle);
- There was insufficient evidence to show direct financial losses caused by this issue and, therefore, our investigator made no award in this regard;

- CA Auto Finance's offer of compensation for the inconvenience caused did not go far enough. Our investigator recommended this be increased by a further £100, bringing the total amount of compensation to £350.

CA Auto Finance accepted our investigator's findings. Mr S did not agree with what our investigator had said, but only in relation to the level of compensation for the distress and inconvenience caused.

As an agreement couldn't be reached, the complaint was passed to me to decide.

On 18 December 2024, I issued a provisional decision in which I said:

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

As it is no longer in dispute that the car was not of satisfactory quality at the point of sale, I do not need to consider this again. I endorse the proposed resolution put forward by the investigator which I'll set out later in this decision.

Therefore, in this decision, I will confine myself to considering what would be fair redress in the circumstances.

Distress and/or inconvenience caused to Mr S due to CA Auto Finance's handling of matters

In this case the financial activity involved supplying the car to Mr S under a hire purchase agreement, and dealing with the attendant responsibilities of doing so. I don't think it would be fair to say that CA Auto Finance should compensate Mr S for the distress that would arise from the fact the car was faulty. But I do think the way CA Auto Finance handled the situation once Mr S attempted to raise his claim fell short of what I would deem satisfactory.

Like our investigator, I can see that Mr S has been put to material inconvenience in his efforts to sort out what ought, for CA Auto Finance, to have been a relatively straightforward issue. I can see Mr S has been in regular contact with CA Auto Finance and the selling dealership regarding the faults since receiving the car. And, with a particular focus on what happened since Mr S received the car in February 2024 following attempted repairs, I can see he spent a great deal of time contacting CA Auto Finance to find out how things were progressing, only to be told that it was waiting on responses from the selling dealership. This pattern continued for several months.

In my view, CA Auto Finance ought to have been more proactive in addressing Mr S's concerns about the car. And there seems little reason to find that had it done so, it would have concluded the car was of unsatisfactory quality – and therefore Mr S had a right to reject it - at a very early stage of the process. CA Auto Finance's approach to the claim caused unnecessary delays and was likely to exacerbate the distress and worry Mr S was already experiencing.

Mr S has been very open with our investigator about the distress, worry and upset this has caused him, including the impact on his mental health. I would like to thank Mr S for sharing this with us, which I imagine wasn't easy to do.

Having thought about everything that has happened I don't think the proposed redress goes far enough. I propose that CA Auto Finance pays Mr S a total of £500 compensation (this being a further £150 on top of the investigator's recommendation) to recognise the impact

this has had. There's further information on our website about how we assess suitable compensation.

Additional losses

Loss of earnings

Mr S makes reference to lost earnings in his correspondence, but he hasn't provided any evidence of that. It's open to him to do so in response to this provisional decision and I'll take this into account when I make my final decision.

Mr S may wish to note that, in order to reasonably hold CA Auto Finance responsible for any such losses, I'd have to be satisfied that these were the direct result of being supplied with this faulty car - taking into account his obligation to mitigate his losses (which might include steps like sourcing alternative transport, if available).

Other expenses

In the course of his complaint to our service Mr S has referenced other expenses, including storage costs and inspection costs. I haven't seen any itemised receipts for such expenses and I would need this in order to consider directing CA Auto Finance to reimburse Mr S.

Therefore, I'll take this opportunity to ask Mr S to provide details of any additional losses, supported by evidence, for consideration before I issue my final decision.

However, for the sake of clarity, my start point is that CA Auto Finance should reimburse Mr S subject to receipt of satisfactory evidence of additional costs he would not have otherwise incurred as a result of receiving a vehicle that was not of satisfactory quality.

Putting things right

Subject to any further comments or evidence I receive from both parties, I intend to issue a final decision requiring CA Auto Finance to take the following steps to resolve the complaint:

- Remove any adverse information about this agreement from Mr S's credit file;*
- Refund the full amount of the monthly repayments made by Mr S from December 2023 – with the exception of one month;*
- Pay simple interest on that refund at the rate of 8% a year from the date the payments were made to the date of settlement;*
- Pay £500 to reflect the distress and inconvenience caused by its handling of matters.*

Further, if it has not already done so, CA Auto Finance should:

- Collect the car at no further cost to Mr S;*
- End the agreement with nothing further to pay.*

Responses to my provisional decision

I gave both parties an opportunity to respond to my provisional decision.

CA Auto Finance said it accepted the investigator's findings dated 27 August 2024 and it had already actioned the investigator's proposed redress. Therefore, CA Auto Finance queried whether there had been an oversight on my part or if there is anything further that needs to be addressed.

Mr S responded by providing further detail about the financial hardship he experienced whilst he was maintaining payments on the vehicle, as well as some of the financial losses he incurred. Mr S has also said he can't understand why it took CA Auto Finance so long to accept the vehicle was faulty despite notifying them very early on. Mr S has gone to say that, despite his requests, CA Auto Finance refused to help him.

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.

I will firstly address CA Auto Finance's response to my provisional decision. I am aware CA Auto Finance accepted the investigator's findings dated 27 August 2024, although at the time I issued my provisional decision it was not clear whether the proposed resolution had been actioned. However, putting that to one side for a moment, Mr S did not accept the investigator's findings in full. Specifically, Mr S did not agree with the level of compensation the investigator proposed for the distress and inconvenience caused. Therefore, as an agreement couldn't be reached, the complaint was passed to me to decide.

In my provisional decision, I acknowledge that it is *no longer in dispute that the car was not of satisfactory quality at the point of sale* [and therefore] *I do not need to consider this again. I endorse the proposed resolution put forward by the investigator which I'll set out later in this decision.* I included the proposed resolution with regards to the vehicle in the *Putting Things Right* section of my provisional decision for the sake of clarity and completeness.

I will now turn to Mr S's response to my provisional decision. I would like to thank Mr S for providing further information about the impact this has had on him, as well as the financial losses he incurred.

The primary difficulty I have with Mr S's claim in respect of his loss of earnings and other financial losses (for example storage costs) is that there is no documentary evidence to support it. And, as I said in my provisional decision, I would need to see such evidence in order to consider directing CA Auto Finance to reimburse Mr S.

In view of the above, I can't see a reason why CA Auto Finance should offer any further compensation in respect of Mr S's financial losses.

With respect to the level of compensation for the distress and inconvenience caused, I do not doubt or disbelieve Mr S when he explains the impact this has had on him. Indeed, as I said in my provisional decision, I think CA Auto Finance's handling of the claim has likely added to the distress and worry he was already experiencing because of being sold a faulty vehicle. Based on Mr S's testimony I am satisfied that the impact of the problems with the car have caused him considerable distress, upset and worry including significant inconvenience and disruption over an extended period. I have looked at our scale of awards and I think the level of compensation I proposed in my provisional decision (£500 in total) is an appropriate award for what has occurred.

Having reconsidered all the available evidence in this complaint – including the responses to my provisional decision - I see no reason to depart from the findings set out in my provisional decision. This being that I uphold the complaint.

Putting things right

To settle the complaint, CA Auto Finance should take the following steps (if it has not already done so) within 28 days of Mr S accepting this decision.

- Remove any adverse information about this agreement from Mr S's credit file;
- Refund the full amount of the monthly repayments made by Mr S from December 2023 – with the exception of one month;
- Pay simple interest on that refund at the rate of 8% a year from the date the payments were made to the date of settlement;
- Collect the car at no further cost to Mr S;
- End the agreement with nothing further to pay;
- Pay £500 to reflect the distress and inconvenience caused by its handling of matters.

If CA Auto Finance considers that it's required by HM Revenue & Customs to withhold income tax from the interest part of my award, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint and direct CA Auto Finance to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 February 2025.

Ross Phillips
Ombudsman