

## **The complaint**

Mr E complains about the quality of a used car he acquired through a personal contract purchase ('PCP') with Lloyds Bank PLC ('Lloyds'). Mr E says that the car isn't of satisfactory quality as it broke down in just under six months and he would now like to reject it.

## **What happened**

Mr E's complaint is about the quality of a car he acquired in February 2024. The car was used, and it was first registered in September 2019. So, it was about four and a half years old when Mr E received it. It had covered 48,000 miles.

Mr E acquired the car using a PCP that was started in February 2024. The vehicle had a retail price of £20,300. Mr E paid a £300 deposit meaning £20,000 was financed. This agreement was to be repaid through 60 monthly instalments of £387.82. If Mr E makes the repayments in line with the credit agreement, he will repay a total of £23,569.20.

Below is a summary of the issues complained about by Mr E and the investigation and repair work that has been carried out by the dealership, the warranty company, and a garage. Alongside what has happened in respect of the complaint.

In August 2014, Mr E's car developed an engine fault and went into 'limp mode'. It was recovered to his home address. Mr E contacted the dealership, but he says the dealership won't repair the car as it considers this fault to be wear and tear.

Mr E took the car to a third party garage who has said that the crankshaft pulley had failed and needed replacing. I've seen a quote for the crankshaft pulley replacement, and at the time, this was priced at £614.60.

Mr E complained to Lloyds in August 2024. Lloyds considered this complaint, and it upheld it. In its complaint response it said that the car warranty company had agreed to pay for half of the repair. The warranty company did not agree to pay the full amount as, whilst the crankshaft is covered under the warranty, the crankshaft pulleys are not. In the light of this Lloyds said that it would:

- Pay the remainder of the cost of the repair.
- Refund the finance repayments from August 2024 until the date of the final response, on the basis Mr E accepted the car would be repaired. It said it would extend this if Mr E remained without a courtesy car during the repair.
- It also offered £200 for the distress and inconvenience this issue had caused Mr E.

It has said that if the repairs were not successful they would work with the garage or the dealership to rectify the car.

Mr E didn't agree with this and said that he wanted to reject the car. He brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr E's complaint. He said that the car wasn't of satisfactory quality due to the problem with the crankshaft pulley. But he thought the offer made by Lloyds was fair.

Mr E didn't agree with the Investigator. He said that:

- He has been without a vehicle since the car developed a fault in August 2024. And the offer did not account for the costs he has had to pay over the time he has been without a car, such insurance and car tax.
- He will be in a worse position if he keeps the car as the dealership who supplied the warranty are not reliable. And the warranty fails to cover adequate repairs so he would go through a lengthy and frustrating process each time the car fails.
- Whilst Lloyds do have a right to offer one repair this was offered two months too late and so he should be able to reject the car.
- Lloyds remains liable for any future defects. And if he accepts this compensation he will lose his future right to reject the car under the Consumer Rights Act ('CRA') and absolves Lloyds of its future liabilities.
- Mr E wants to reject the vehicle and a refund of all the payments made as he says he does not feel safe in the vehicle anymore since it broke down.

Our Investigator considered these points but didn't change their view that the offer made by Lloyds was reasonable.

There was some further correspondence and Mr E let us know that the warranty company had now withdrawn its offer to pay half of the repair costs. The garage that he took the car to was now unable to repair it as it is too busy.

Lloyds subsequently confirmed that if Mr E was to obtain a quote from a VAT registered garage then it would consider and pay this, as outlined in its response letter.

There was some further correspondence, but no new issues were raised. As Mr E didn't agree, this matter has been passed to me to make a final decision.

### **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.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider was good industry practice at the relevant time.

The agreement in this case is a regulated PCP – so we can consider a complaint relating to it. Lloyds as the supplier of the goods under this type of agreement is responsible for a complaint about their quality.

The CRA 2015 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'.

This car was four and a half years old when Mr E acquired it, and it had travelled around 48,000 miles. I think a reasonable person would accept that such a vehicle would probably have some parts that are worn and would need replacing sooner or later – which is reflected in the lower price paid in comparison to a new vehicle. But there's also a reasonable expectation that a vehicle will be relatively durable - considering its age, price and mileage at

the outset. So even though the vehicle wasn't new, Mr E should have been able to use it for a reasonable period before it needed significant work.

It's established that the car broke down within the first six months with the fault I've outlined above. Lloyds has accepted the right thing to do would be to repair the car. So, I don't need to decide if the car isn't of satisfactory quality as Lloyds has already accepted that it should be repaired.

As Mr E has been informed by our Investigator, where a product is found to be not of satisfactory quality, after 30 days has passed, but within six months, then a repair can be the right thing way to put this right. And this is a remedy specified in the CRA. And having considered all the circumstances I think repairing the car was the right thing to offer here. And my decision about what should happen with the car is that Lloyds should undertake to have, or pay for, the car repair.

A significant part of Mr E's dissatisfaction with this offer is that it means he may have to deal with the dealership and the warranty company in the future if he has further problems with the car. I have thought about this.

Lloyds, as the finance provider and supplier of the car, is responsible for the quality of the car. It isn't responsible for the actions or inactions of the dealership when it is acting as a car dealer and garage outside of the time of sale. And the warranty did not form part of the finance agreement and so Lloyds is not involved or responsible for this at all. I can't say with any certainty whether or not Mr E will have any further problems that will involve the dealership or the warranty company. But it isn't fair to say that Lloyds needs to account for this in the offer it has made. And I don't think that Mr E should be able to reject the car because of this.

Lloyds is responsible for ensuring that the car is of satisfactory quality, and it will retain its statutory responsibility for this. This can't be taken away and having the car repaired won't reduce Mr E's legal rights under the CRA.

But the quality of the car in relation to the CRA concerns any faults that were present or developing at the time of sale. And this doesn't extend to any repairs, and maintenance, the car might need in the future that isn't related to the initial quality of the car. An older car such as this will need repairs and maintenance from time to time, and this isn't because the car was faulty, it is due to it becoming older and more worn. Lloyds isn't responsible for the upkeep of the car in this respect.

Having considered everything, I don't think Mr E should now be able to reject the car due to the quality of it. From what I've seen the issue with the crank pulleys can be repaired and there are no other issues with the car.

Mr E thinks that the offer to refund the finance repayments, in addition to paying for the repair to the car, isn't enough. He says he has been without the car for a significant time, and he has paid alternative transport costs on top of the things he has had to pay for the car, such as car insurance and tax.

But Lloyds has said that it will refund his finance repayments over the time he hasn't had the car and so he will be compensated for this. Whilst Mr E is clearly not happy with this amount, I've not seen any persuasive evidence that shows it is unreasonable, and that Mr E should be paid significantly more than this. I accept he will have incurred alternative transport and related costs, but I think a refund of the finance repayments is reasonable compensation for this.

All of this has caused Mr E some distress and inconvenience. But I also must consider that Lloyds looked at the complaint within the time it is allowed to do so by the industry regulator and made what I think is a fair offer to resolve the complaint some time ago. So, whilst this is a long running issue I don't think I can reasonably say this was due to the actions or inactions of Lloyds. With this in mind, I also think the £200 offered by Lloyds for any distress and inconvenience that Mr E has been caused is reasonable.

### **Putting things right**

Lloyds has agreed to:

- Pay for the cost of the repair.
- Refund the finance repayments from August 2024 until the date the car is repaired if Mr E does not receive a courtesy car during the repair.
- Pay 8% simple yearly interest on all refunds calculated from the date of payment to the date of the car is repaired.
- Pay £200 for the distress and inconvenience this issue had caused Mr E.

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

I think this offer is fair and if Mr E accepts my final decision he will be accepting this offer. If Mr E does accept this offer he should arrange to have the car repaired as soon as possible.

### **My final decision**

Lloyds Bank PLC has already made an offer to settle the complaint, and I think this offer is fair in all the circumstances. So, my decision is that Lloyds Bank PLC should take the steps in this offer as I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 6 June 2025.

Andy Burlinson  
**Ombudsman**