DRN-5355390

The complaint

Mr R complains that the car he acquired through a hire purchase agreement with CA AUTO FINANCE UK LTD ("CA AUTO") wasn't of satisfactory quality. He wants to reject the car.

What happened

Mr R entered a hire purchase agreement in June 2023 to acquire a used car. At the time of the acquisition, the car was nearly four years old and had been driven just over 30,000 miles. The cash price of the car was £13,157.95, and the credit agreement was set up over a 60-month term with monthly payments of £293.87. The total amount repayable if the agreement ran to term would be £17,942.20.

Mr R told us:

- Shortly after acquiring the car, the engine management light (EML) illuminated, and when he took the car to the supplying dealership it told him that any repairs would not be covered by the warranty because the car had an incomplete service history;
- The supplying dealership undertook diagnostics and confirmed the car required a replacement engine at a cost of more than £10,000;
- He wants to reject the car and cancel the credit agreement or have CA AUTO pay for the repairs.

CA AUTO rejected this complaint. It said *"when purchasing a used vehicle, customers do so in the knowledge that all components are not as new. It is important to bear in mind that each component in the vehicle has its own lifespan, and unfortunately, this means that sometimes even shortly after purchase a used vehicle may require some form of repair".*

CA AUTO said that 14 months had elapsed since it supplied Mr R with the car and so Mr R had the *"evidential burden of supporting that the vehicle is currently experiencing a fault and the cause of any current defect was present from the point of sale and is not wear and tear related".* It said Mr R had provided no information or evidence to support that the vehicle supplied was not to a satisfactory standard at the point of sale. But it did say that if Mr R could prove the issues were developing at the point of sale or present at the point of sale, it would review its position.

Unhappy with CA AUTO's response, Mr R brought his complaint to our Service.

Our investigator looked at this complaint and initially said she didn't think it should be upheld. She explained the relevance of the Consumer Rights Act 2015 in this particular case, and said she'd not seen any evidence to show that the car was faulty or what the cause of any fault was. She told Mr R that it would be beneficial for him to get hold of a detailed diagnostic or an independent engineer's report, but based on the current situation, she could not conclude that the car supplied by CA AUTO was not of satisfactory quality.

This Service was then provided with some further information, which our Investigator reviewed alongside everything else again, and she concluded that she thought this complaint should be upheld. She'd had sight of a diagnostic that confirmed there was a missing piece of the exhaust valve resulting in the need for a replacement engine.

Our Investigator explained that these valves should last 100,000 miles. So, for the valve to have deteriorated so soon – Mr R had driven the car just over 9,000 miles – the valve was either very poor quality, or it had a defect that caused it to prematurely fail. And the failure of the valve likely damaged the cylinder wall and / or piston resulting in the requirement of a new engine. Put simply, the car supplied was not sufficiently durable.

Our Investigator made a number of recommendations to CA AUTO detailing what it needed to do to put things right, including covering the cost of repairs, refunding Mr R some of his monthly payments to reflect the fact he'd not been able to use the car, and paying him some compensation in recognition of the distress and anxiety its actions had caused.

Mr R accepted our Investigator's recommendations.

CA AUTO said it couldn't have made any other decision on this complaint without the information that this Service has since been provided with – even though our Investigator reminded CA AUTO that the additional information had come from CA AUTO itself.

CA AUTO then said that it had accepted and processed a *voluntary termination* of the agreement in September 2024, before Mr R escalated his complaint to this Service.

With this in mind, our Investigator made some changes to the way in which she thought CA AUTO ought to settle this complaint. But because CA AUTO didn't confirm its acceptance of these recommendations, the complaint was prepared for an Ombudsman to review, and both parties were notified of this.

On 28 February, CA AUTO contacted this Service and said, *"I am not sure why the complaint is being referred to the ombudsman we are enacting the [recommendations] you have requested"*.

Nearly four months later, Mr R tells us that despite both parties seemingly accepting these recommendations on how the complaint should be resolved, CA AUTO has not been in touch with him to arrange settlement. It seems that CA AUTO has simply disengaged on this particular case.

Because of this, 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.

As the hire purchase agreement entered into by Mr R is a regulated consumer credit agreement this Service is able to consider complaints relating to it. CA AUTO is also the supplier of the goods under this type of agreement, and it is responsible for a complaint about their quality.

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. This says under a contract to supply goods, the supplier – CA AUTO in this case – has a responsibility to make sure the goods were of 'satisfactory quality'.

Satisfactory quality is what a reasonable person would expect – taking into account any relevant factors. The relevant law also says that the quality of the goods includes their general state and condition, and other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability can be aspects of the quality of the goods. In this case, I would consider relevant factors to include, amongst others, the car's age, price, description and mileage.

The CRA also says that, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied. But, if the fault is identified after the first six months, then it's for Mr R to prove the fault was present when he first acquired it.

In this particular case, we do not have the benefit of an independent inspection report. But I have seen the diagnostics from the garage that confirms the car needs a replacement engine, and it explains the cause of this. It says, *"carried out investigation for reported amber EML and poor running – found misfire on cyl2, moved plugs and coil packs around, misfire stayed on cyl 2 – found cyl 2 has little to no compression – removed cylinder head to find an exhaust valve has a piece missing – reqs replacement engine".*

So it's clear from this summary note, that the cause of the requirement for a replacement engine is the damaged exhaust valve. And, like our Investigator, my understanding is that valves should last 100,000+ miles. So, for the valve to have deteriorated so soon – Mr R had driven the car just over 9,000 miles – the valve was either very poor quality, or it had a defect that caused it to prematurely fail. And the failure of the valve likely damaged the cylinder wall and / or piston resulting in the requirement of a new engine. Put simply, the car supplied by CA AUTO was not sufficiently durable.

I'm going to require CA AUTO to accept Mr R's rejection of the car and end the credit agreement if it hasn't already done so. I'm going to require it to refund Mr R some of his monthly rentals to take account of his loss of usage of the car he was paying for. And CA AUTO will pay Mr R statutory interest at a rate that a court would award on judgement debts. This is designed to reflect the cost to a consumer of their being deprived of their own money; they may have had to go without things because they didn't have that money.

Finally, I'll be awarding an amount of compensation in recognition of the distress, inconvenience, worry and anxiety that CA AUTO caused Mr R because it supplied a car that was not of satisfactory quality.

Putting things right

I'm directing CA AUTO FINANCE UK LTD to settle this complaint by:

- ending the agreement with nothing further to pay if it has not already done so, and removing any adverse information from Mr R's credit file in relation to this agreement;
- collecting the car, if it has not already done so, at no further cost to Mr R;
- refunding Mr R's monthly rentals for the period from 14 May 2024 to the date of settlement as he reasonably stopped using the car at this point;
- paying 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement*;
- paying a further amount of £200 for the distress and inconvenience that's been caused due to the supply of faulty goods.

*HM Revenue & Customs requires CA AUTO FINANCE UK LTD to take off tax from this interest. CA AUTO FINANCE UK LTD must give Mr R a certificate showing how much tax has been taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint. If it has not already done so, I direct CA AUTO FINANCE UK LTD to settle this complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 August 2025.

Andrew Macnamara
Ombudsman