Financial Ombudsman Service

The complaint

Ms I is unhappy that a car supplied to her under a hire purchase agreement with Startline Motor Finance Limited was of an unsatisfactory quality.

What happened

On 31 May 2024, Ms I was supplied with a used car through a hire purchase agreement with Startline. She paid a £5,301.89 deposit and the agreement was for £19,243.11 over 49 months; with 48 monthly payments of £458.53 and a final payment of £10,200. At the time of supply, the car was three years old and had done 38,954 miles (according to the MOT record for 31 May 2024).

The supplying dealership was around 200 miles from Ms I's home, and she ordered the car online, without seeing it first. On arrival to collect the car she noted there was bodywork damage that didn't show on the advert photographs. The supplying dealership arranged for this to be repaired at Ms I's local branch of the dealership.

On driving the car home, Ms I discovered that the heating wasn't working. She raised this with the supplying dealership, who again told her to take the car to the local dealership for diagnosis and repair. While the local dealership was able to deal with the bodywork issue, they advised Ms I that the heating problem would need to be inspected and diagnosed by a manufacturer's main dealership.

The main dealership diagnosed an issue with the heating, but Ms I was advised the part was on back order and there would be a delay of around three months before the part could be obtained. They also said they weren't prepared to order the part until the supplying dealership had authorised the repair and paid for the part upfront. Despite the supplying dealership being asked to do this, they didn't. As such, the part was never ordered, and a repair was never booked in.

In October 2024, the car developed another fault with the infotainment system – it kept switching off while in use. Ms I complained to Startline who upheld her complaint. And they said the heater fault had been fixed, while the infotainment system was awaiting a repair, and the part was on order. They also offered Ms I £100 compensation for the distress and inconvenience she'd been caused.

However, the heater hadn't been fixed, and no part was on order for the infotainment system. And Ms I advised Startline of this. After chasing the supplying dealership about the repairs until December 2024, with no joy, Ms I brought her complaint to the Financial Ombudsman Service for investigation.

Our investigator said there were clearly faults with the car which, while Startline had agreed for these to be repaired, no repair had taken place. And, due to the need to order parts that were on back order, there would be a further delay of some months before any repair could take place. So, the investigator said that Ms I should now be allowed to reject the car, with a full refund of the deposit she paid, a refund of 5% of the payments she'd made to account for the impaired usage that she'd had due to the heater not working, and a further £250 compensation for the distress and inconvenience caused.

Startline agreed with the investigator's opinion, but Ms I didn't. She didn't agree with the deposit that was being refunded, and she said the supplying dealership had calculated this incorrectly. She also said that they'd failed to clear the finance on her existing car, so she was now being chased for arrears on an earlier finance agreement (not with Startline).

The investigator issued a revised opinion in February 2025, explaining that the issue Ms I was having with the supplying dealership about the part-exchange value and the previous finance agreement wasn't something Startline were responsible for. As such, the investigator's opinion didn't change.

Startline provided comments from the supplying dealership that said they had offered to buy back the car in July 2025, which Ms I had rejected. So, they were now in a situation where costs were increasing on a monthly basis, while the value of the car depreciated. So, they said it would be fair to cap any interest payments to December 2024, when they originally agreed to allow for the car to be rejected.

Because of the comments from the parties, this matter has been passed 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 done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Ms I was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

The Consumer Rights Act 2015 ('CRA') says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of goods, Startline are responsible. What's satisfactory is determined by things such as what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history and its durability. Durability means that the components of the car must last a reasonable amount of time.

The CRA also implies that goods must confirm to contract within the first six months. So, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied, unless Startline can show otherwise. So, if I thought the car was faulty when Ms I took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask Startline to put this right.

In this instance, it's not disputed there was a problem with the car supplied to Ms I, nor that repairs weren't organised. Startline have agreed that Ms I can reject the car, which is in line with section 23(2)(a) of the CRA – repairs must take place within a reasonable time and without significant inconvenience to the consumer, otherwise the consumer has the right of rejection. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think Startline should do to put things right.

Putting things right

Ms I has been able to use the car while it was in her possession. Because of this, I think it's only fair that she pays for this usage. What's more, Ms I is also responsible for ensuring the car is maintained in line with the agreement she signed with Startline, which includes ensuring that any servicing takes place. So, I won't be asking Startline to refund any costs she may incur as a result of this.

However, given that Ms I hasn't had a working heater for the entire time she's been in possession of the car, and the infotainment system doesn't work correctly, I'm also satisfied her usage and enjoyment of the car has been impaired. Because of this, I also think it's fair that Startline refund some of the payments Ms I made. And I think 5% of the payments made fairly reflects the impaired use caused by the car not being of a satisfactory quality.

In reaching this conclusion, I've considered Startline's comments about Ms I not accepting either the supplying dealership's offer to buy back the car or the investigator's opinion. I've also considered their comments about the value of the car depreciating while this matter has been ongoing, while the costs they are incurring (the interest on the payments refunds) is increasing.

I would firstly note there is a distinct difference between a buy back offer and an offer of rejection, as the former is usually done at the current market value of the car and doesn't include a refund of the deposit. As such, Ms I was under no obligation to accept the buy back offer made by the supplying dealership, and it would be unfair to say that she's not entitled to full compensation as a result of this.

Furthermore, all parties are entitled to reject the investigator's opinion and request a decision from an ombudsman. This is our process, so Ms I acted in line with this by querying the amount of the deposit refund given that she was being chased by a third-party finance company for the supplying dealership's non-payment of the full finance amount. It's also the case that Startline have acted in line with our process by requesting this matter be passed to an ombudsman to decide as they perceive they are being financially disadvantaged.

While it will be the case that the car will depreciate in value due to its increasing age and mileage, Startline are also entitled to keep the payments Ms I has made (less 5% for the impaired usage) which will account for fair usage for the milage she's done. They will also be entitled to charge Ms I for any excess mileage she may do, as well as any damage to the car that exceeds normal fair wear and tear usage, in line with the terms of the agreement.

What's more, I don't consider the requirement to pay interest on any refunds to be so onerous that it makes it unfair in all the circumstances. So, given the above, I don't consider Startline are being financially disadvantaged by any delays caused by both themselves and Ms I choosing to take advantage of our full process and request an ombudsman's decision.

Turning to the deposit Ms I paid, the vehicle invoice of 30 May 2024 makes it clear that the supplying dealership accepted Ms I's existing car in part exchange, paying her £13,000 for this. They agreed to pay £7,797.11 to clear the existing finance, leaving £5,202.89 towards the car financed by Startline. Ms I paid an additional £99 towards this, taking the total deposit to £5,301.89. So, this is the deposit I would expect Startline to refund (less any applicable dealer contribution, if there was one). Any concerns Ms I has with the supplying dealership not clearing her existing car finance is something she needs to raise with them directly – this is not something Startline are responsible for.

Finally, I think Ms I should be compensated for the distress and inconvenience she was caused. But crucially, this compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available.

I note our investigator also recommended Startline pay Ms I an additional £250, taking the total compensation to £350, to recognise the distress and inconvenience caused. And having considered this recommendation, I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward.

I think this is significant enough to recognise the worry and upset Ms I would've felt by the supplying dealership failing to arrange for the car to be repaired, despite agreeing to a repair. But I also think it fairly reflects the fact that Ms I was able to drive the car, regardless of the faults, and that her impaired usage has already been considered and compensated for. So, this is a payment I'm directing Startline to make

Therefore, if they haven't already, Startline should:

- end the agreement, ensuring Ms I is not liable for any monthly payments after the point of collection (if any payments are made, these should be refunded);
- collect the car at no collection cost to Ms I;
- remove any adverse entries relating to this agreement from Ms I's credit file;
- refund the deposit Ms I paid (if any part of this deposit is made up of funds paid through a dealer contribution, Startline is entitled to retain that proportion of the deposit);
- refund 5% of the monthly payments Ms I has paid, from the outset of the agreement to when it is ended, to account for the impaired usage she's had of the car;
- apply 8% simple yearly interest on the refunds, calculated from the date Ms I made the payment to the date of the refund†; and
- pay Ms I an additional £250, taking the total compensation to £350, to compensate her for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (Startline must pay this compensation within 28 days of the date on which we tell them Ms I accepts my final decision. If they pay later than this date, Startline must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment†).

†If HM Revenue & Customs requires Startline to take off tax from this interest, Startline must give Ms I a certificate showing how much tax they've taken off if she asks for one.

My final decision

For the reasons explained, I uphold Ms I's complaint about Startline Motor Finance Limited. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms I to accept or reject my decision before 18 August 2025.

Andrew Burford
Ombudsman