

The complaint

Mr G complains about the quality of a car supplied to him through a hire purchase agreement with Lloyds Bank PLC ("Lloyds").

What happened

Mr G acquired a car through a hire purchase agreement over a term of four years in February 2022. The car was around one year old at the time it was supplied and had covered approximately 7000 miles. The cash equivalent price was approaching £40,000.

Mr G has provided evidence showing that he queried a knocking noise shortly into the agreement with the dealership where he'd acquired the car, but said his relationship with that dealership became difficult and he couldn't follow this up. By the end of 2022 he'd taken the car to a different main dealership, and they confirmed the existence of a knocking noise but couldn't identify a fault.

This pattern continued for a considerable time, with Mr G taking the car into main dealers, who either couldn't replicate the noise, or couldn't say there was a fault. Emails provided by Mr G confirm this, that he asked for repairs to be carried out, but that the noise continued and never seemed to be fixed.

This pattern of visits to dealerships and nothing stopping the knocking noise continued until Mr G discovered that the finance company might be responsible for the quality of the car supplied, not just the manufacturer/dealerships involved. He complained to Lloyds in September 2024. Lloyds didn't uphold the complaint, saying that the job cards Mr G had supplied showed multiple visits to dealerships, but no confirmed faults, and showed no issues for the first ten months at least, so there was no evidence to suggest any fault was present or developing at the point of sale.

Mr G wasn't happy with this and referred the complaint to our service. Initial investigations were wrongly set up here against a subsidiary business of Lloyds, and an initial view was issued by an investigator upholding the complaint and setting out redress needed. After the error became apparent, the case was re-investigated with Lloyds as the respondent business and the existing view was re-sent to Lloyds.

Lloyds said they felt that they'd had no opportunity to repair the car as Mr G had taken the car to dealerships himself without contacting them, and they felt that the Consumer Rights Act 2015 would permit them the right of repair. They said that Mr G might have replaced parts or the car may have had an accident since supply either of which could have caused the noise, and they weren't persuaded the noise was present from the point of supply.

The investigator responded to these points and then issued an updated view in February 2025, still upholding the complaint, but removing any compensation for distress and inconvenience to recognise that the dealerships who had repeatedly seen the car weren't brokers of Lloyds, and Lloyds therefore hadn't caused any inconvenience or distress.

Lloyds asked for more time as they were struggling to contact one of the dealerships who

had seen the car to discuss their thoughts, and highlighted the MOT history and said that this should have identified a problem if there was one.

Lloyds then came back to us and said having spoken to the dealership, they now believed the car had been remapped since Mr G had taken possession of it, which broke the terms and conditions of his agreement.

This was put to Mr G, who then went and got proof that the car had not been remapped to provide to us and Lloyds. As things were clearly not going to be resolved between the parties, the case has come to me now for 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.

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. Mr G 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, Lloyds 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 conform 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 Lloyds can show otherwise. But where a fault is identified after the first six months, the CRA implies that it's for Mr G to show it was present when the car was supplied.

So, if I thought the car was faulty when Mr G 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 Lloyds to put this right.

It is unfortunate that this complaint hasn't had a timely or sensible journey. Mr G spent the first two years or more taking the car back to the dealers to try to identify and resolve the problem, with no success, before he found that he could complain to the finance company as the supplier about the problems. When Lloyds received his complaint, rather than asking to inspect the car, they've taken the evidence he's provided and decided that there's no evidence of a fault, and/or that it presented outside of the first six months, so it's not their responsibility to prove it exists or not.

Then when the case first came to our service, there was some confusion about the respondent business, delaying things a little further, and once that was sorted out, Lloyds have first responded to a view saying that they should have the right to repair the car, then arguing that the fault isn't present or wasn't present inside the first six months, then thinking the car had been mapped and so the agreement was invalidated.

None of what's happened investigates the complaint the customer has raised to work out what's going on with the car. I've thought about Mr G's actions during the three years he's had the car. He raised concerns inside the first few weeks with the supplying dealership, who first tried to investigate, but fairly quickly, they seem to have fallen out with Mr G and the relationship has broken down. He's moved on to deal with other manufacturer dealerships after this, to try to resolve what on the face of things shouldn't be a difficult issue to identify and repair. But they've failed to do so, despite replicating the knocking noise on more than one occasion.

Once Mr G has involved Lloyds, things have become more confused. Their initial investigation and response focused on the job cards supplied which hadn't identified the issue, to not uphold the complaint. It also said as he'd reported it more than six months after supply, it was his responsibility to prove a fault existed. However, since then, the investigators here have pieced together the timeline involved to show Mr G has reported the issue numerous times including in the first six months, it's been replicated on some occasions, but never diagnosed or repaired.

After this has happened and the investigator has recommended that Mr G should be able to reject the car, Lloyds have said they are entitled to their right of repair under the CRA. At this point, the issue had been ongoing for three years, and Lloyds had been aware of what Mr G had said was happening for several months. The CRA also talks about repairs happening in a timely fashion, and I'm not persuaded that giving Lloyds longer to try to repair the car is now reasonable.

Lloyds have also said that they haven't had the chance to repair the car as all Mr G's initial visits to the dealerships were carried out without their involvement. However, he made them aware of the problems he was having in September 2024, and they answered the complaint by not upholding it, without asking to have the car inspected again or repaired. So, I'm not persuaded that they are entitled to an opportunity to repair the car now.

The issue has potentially come closer to being diagnosed in more recent times, and there are suggestions it may be a simple one, with suggestions it's a bracket in the exhaust system. There's also been suggestions from Lloyds that the exhaust system isn't an original and may not have been supplied with the car, as well as accusations that the car had been remapped. Lloyds have also suggested this is making a noise from the rear underside of the car, where the original reported issues was from the front underside of the car.

I think this kind of argument plays to the problems Mr G has suffered all along. This fault is intermittent; it doesn't happen all the time. I've seen a suggestion that it may only happen when the car is reversing and the steering wheel is fully locked in a turn, but there is so much testimony and so many job cards that I cannot see any clear answer/evidence as to what's wrong. But it is clear to me that something is wrong.

I'm not convinced the exhaust system fault is the same fault as originally reported, and I think Mr G has given qualified mechanics the opportunity to diagnose and repair the car numerous times. He's also told Lloyds what was happening in September 2024, which gave them the chance to have the car looked at, and they didn't feel they needed to do that and didn't uphold the complaint.

I've thought about whether the reported issues make the car of unsatisfactory quality, and I'm persuaded that they do. The car was less than a year old and had only covered 7000 miles when supplied. It is a prestige car and brand, and I think a reasonable person would expect the car to perform well and have very limited issues for a good amount of time. I'm satisfied that Mr G has tried to report the fault and get it diagnosed within the first six months, but even if he hadn't, I don't think that this sort of fault should be appearing within the first year of the car being in his possession, as this would be a durability issue.

Alongside this, I think he's given the manufacturer dealerships numerous attempts to diagnose and repair the problem. If he'd reported the fault to Lloyds earlier, I'm not persuaded that they would have done anything different to try to resolve the problem. Asking the main dealer to diagnose something feels like the most likely route to identifying a problem, and if Lloyds felt they needed a different mechanic to inspect the car, they could have done this when he raised the complaint with them in 2024.

As I've said, the actual issue might be something fairly minor, but I think Mr G has given all parties many opportunities to get to the bottom of the issue and repair it and considering the age and mileage of the car, I think he's entitled to expect it not to suffer this kind of problem. On this basis, I am persuaded it's fair for him to be able to reject the car. Mr G also paid £90 for a report on the car in December 2024 which it would be fair for Lloyds to reimburse him for, as it was to try to identify the issue, which I'm persuaded is present.

Having said that, he also appears to have been able to use the car fine and the mileage covered suggests he's had fair use of the car while he's had it, so I'm not persuaded he should be compensated for his usage of the car in the more than three years he's had the car. I also agree with the investigator when they removed any payment for any distress and inconvenience, as Lloyds haven't been informed of the problems for two and a half years, so the bulk of any inconvenience or distress caused hasn't been while Lloyds have been involved here.

Finally, I think it's fair to point out that as he's had the car for over three years of a four-year agreement, after they collect the car, it would be fair for Lloyds to calculate and charge Mr G for any excess mileage on the contract pro rata if this is applicable, and similarly any charges for fair wear and tear when the car is returned and inspected. Whilst this doesn't form part of my outcome, it feels fair to point this out to both parties at this stage.

Putting things right

I'm upholding this complaint, and instruct Lloyds Bank PLC to carry out the following to put things right:

- End the agreement with no further monthly payments for Mr G to pay.
- Collect the car at no cost to Mr G.
- Refund the deposit Mr G paid alongside the agreement.
- Reimburse Mr G for the £90 garage report he paid for on 20 December 2024.
- Pay 8% simple interest on these refunds from the date of payment to the date of settlement.

My final decision

I am upholding this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 August 2025.

Paul Cronin
Ombudsman