

The complaint

Ms C complains that the car she acquired through a hire purchase agreement with Stellantis Financial Services UK Limited ("SFS") wasn't of satisfactory quality. She wants to reject the car.

What happened

Ms C entered a hire purchase agreement in August 2023 to acquire a used car. The cash price of the car was £12,600. Following an advanced payment of £3,000, the amount of credit provided was £9,600 and was to be repaid over the 48-month term of the agreement. The monthly payments were £199.59 with the result that the total repayable, should the agreement run to term, would be £17,733.32. At the time of the acquisition, the car was just over four years old and had been driven around 32,000 miles.

Ms C told us:

- Within a month of acquiring the car, an engine warning light came on, and she was directed by the supplying dealership to the warranty provider;
- the warranty provider asked her to take the car to a specific garage, where a problem with a sensor was identified. The sensor was replaced, and she had to pay just over £300 for parts and labour – she was told this work wasn't covered by her warranty;
- within a few days, the warning light illuminated again, so she returned to the same garage where she was told that the sensor may need replacing again;
- she then complained to SFS and was advised to get some diagnostics undertaken from a dealership associated with the manufacturer. The diagnostics and report confirmed issues with the wet belt, with a quote for repairs of more than £1,000. And this report cost her £270 in total;
- she was advised to make use of a warranty she had, but the provider would only cover half the costs of the required repairs - £503.56;
- although the repairs required were serious, she wasn't in a position to pay the balance - around £600 - to repair such a significant fault that was present when she acquired the car, so she didn't use the car;
- she's been unable to drive the car since October 2023, and because she needed to be mobile, she had to borrow money from a relative and also use her overdraft in order to buy another car;
- despite the issues with the car, and being unable to use it, she's made all the required monthly payments under the credit agreement;
- the situation has affected her psychologically and caused a lot of anxiety and stress. Ms C says it's simply unfair that she is being forced to keep a car that is faulty. The damaged wet belt could've caused serious engine failure.

SFS partially upheld this complaint. Although it declined Ms C's request to reject the car, it did offer to refund her £199.59 – one monthly payment.

SFS said although Ms C's credit agreement started in August 2023, she'd not contacted it about the problems with the car until November 2023; and it said it wasn't privy to any

discussions she may have had with the supplying dealership, so wasn't in a position to comment on what may or may not have been discussed.

SFS said the supplying dealership had confirmed that the repair to the car had been approved under the warranty – something it hadn't sold, and something it did not administer – and Ms C really ought to discuss this with the warranty provider, as *"it would be best placed to advise on the merits of any claim"*.

SFS concluded that although there was a fault with the car, this had been resolved by the dealership in accordance with the relevant regulations. And, because of this, it declined Ms C's request to reject the car.

Our investigator looked at this complaint and said he thought it should be upheld. He explained the relevance of the Consumer Rights Act 2015 in this particular case, and said he was persuaded by the evidence and submissions from both parties that not only was there a fault with the car, but that the car supplied was not of satisfactory quality.

He reminded SFS that it had only one opportunity to repair the car, and that this singular opportunity arose when Ms C told it that the warranty provider wouldn't cover the costs of the repairs in full. He said in these circumstances, SFS should've covered the remainder of the costs so that the consumer was not out of pocket.

Because SFS didn't do this, he said Ms C should now be able to reject the car, and he asked SFS to pay her some compensation in recognition of the considerable worry and anxiety she'd experienced because of what it had done, and what it had not done.

Our Investigator reminded SFS that it was liable for Ms C's consequential losses in the circumstances of this case. And he asked it to reimburse Ms C for the interest she'd been charged on her overdraft when she'd had no choice but to acquire another car.

Ms C accepted these recommendations.

This Service has not heard from SFS since August 2024, so 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 Ms C is a regulated consumer credit agreement this Service is able to consider complaints relating to it. SFS 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 – SFS 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 Ms C to prove the fault was present when she first acquired it.

There's seems to be no dispute between the parties about the fault with the car. Ms C has provided her testimony; her honest recollections of what happened and when it happened; and she's supplied this Service with reams of documentary evidence – invoices, receipts; correspondence; and the credit agreement that supports her position. SFS has provided very little; in fact it's not really engaged with this Service at all. But its *final response letter* to Ms C accepts the existence of the fault and demonstrates its understanding of the CRA. So looking at everything I'm satisfied that the car was not of satisfactory quality when supplied, and I'm satisfied that both Ms C and SFS agree with this position.

Because SFS has not responded to our Investigator's recommendations, I can't be certain that it is in agreement about what it needs to do to put things right. So I'm going to set out very clearly what this Service expects in these situations.

The car was not of satisfactory quality, so Ms C was entitled to a repair or replacement under the CRA. But this repair comes at no cost to Ms C. In this particular case, the warranty provider offered to pay around half the cost of repair, so my expectation is that SFS should've made good the difference. But it didn't. It simply offered to refund Ms C one of her monthly payments.

It therefore follows that, in the absence of a satisfactory and successful repair of the fault, it would be fair for Ms C to be able to reject the car in accordance with her consumer rights as set out in the CRA. I'm also going to instruct SFS to pay Ms C some compensation for the worry and anxiety it has caused her – she's continued to pay the agreed payments under her credit agreement at great cost to herself, leaving her with no option but to borrow from family and use an overdraft to keep herself mobile. SFS will also pay the consequential costs Ms C has incurred; the interest her bank has charged her for the overdraft she had to use for the second car. This Service has had sight of Ms C's bank statements and I'm satisfied that the overdraft interest charges are a direct and unnecessary consequence of SFS' inaction in this matter.

I'm now going to set out in full what SFS needs to do.

Putting things right

I'm directing Stellantis Financial Services UK Limited to settle this complaint fairly by:

- ending the agreement with nothing further to pay;
- removing any adverse information from Ms C's credit file in relation to the agreement;
- collecting the car at no further cost to Ms C, and at her convenience;
- refunding Ms C's deposit of £3,000;
- refunding all Ms C's monthly payments because of the car's inherent quality issues – I believe it already refunded one monthly payment to her so it can deduct this amount from this calculation;

- refunding Ms C for the cost of the diagnostics and repairs she had to pay for when the sensor was diagnosed and replaced. I understand the three amounts in question are:
 - £180
 - £90
 - £316.92
- refunding the interest charged on Ms C's arranged overdraft between December 2023 and the date of settlement.
 - This Service has already sent details of the interest she's been charged up to September 2024.
 - SFS will contact Ms C within 28 days of this *final decision* to obtain statements for the period from September 2024 so that it can finalise this part of the award;
- paying 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement*;
- paying £200 in compensation for the distress or inconvenience that's been caused due to the faulty goods;

*HM Revenue & Customs requires Stellantis Financial Services UK Limited to take off tax from this interest. Stellantis Financial Services UK Limited must give Ms C a certificate showing how much tax has been taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint and I direct Stellantis Financial Services UK Limited to pay redress as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 1 May 2025.

Andrew Macnamara
Ombudsman