

## The complaint

Mr M complains that the car supplied by Toyota Financial Services (UK) PLC trading as Redline Finance ("TFS") wasn't of satisfactory quality. He says the car isn't driveable, and the estimated cost of repairs is £5,000. Mr M says he wants to reject the car and end the finance agreement, and have his reasonable costs reimbursed by TFS.

## What happened

Mr M entered into a hire purchase agreement in June 2023 to acquire a used car. The cash price of the car was £10,784, and after taking account of his deposit of £7,000, the total repayable over the 48-month term of the agreement was £11,544.43, with monthly payments of £96.69. At the time of acquisition, the car was around ten years old and had been driven just over 76,000 miles.

Mr M told us:

- He first noticed a fault with the car in April 2024 when he saw smoke coming from the exhaust. He says he checked the oil, which was very low, and he had to add around three litres to top it up;
- despite this, the problem remained, albeit intermittently – so he booked the car in with his local garage, and he's not been able to drive it since;
- his mechanic advised that there was a need to replace the turbo and the DPF, but was reluctant to investigate further because of additional costs that Mr M would incur;
- the mechanic concluded that the car had suffered long term neglect by its previous owner(s);
- when he acquired the car, he'd been told that the service history was recorded on the manufacturer's central system, but the garage told him that it could find no record of any servicing beyond 2016;
- he needed to remain mobile, so initially he rented a car for about a month, before deciding to buy another car at a cost of £3,250;
- the car he'd acquired through TFS was stored with a third-party whilst he awaited the outcome of his complaint with TFS;
- he did have a warranty, but the estimated cost of repairs - £5,000 – was more than the warranty provider was willing to pay, and it wouldn't assist him in the circumstances.

TFS rejected this complaint. It said it understood the issue that Mr M was complaining about, but it supported the supplying dealership's position. It said, *"we can see that a 150-point check, service, and MOT were performed by one of our qualified technicians and in addition, they replaced the coil spring, steering link headlight bulb, one tyre and the tyre kit to ensure the vehicle met our used car preparation standards before sale"*. It went on to say that *"We can find no record of any reported concerns or issues...the vehicle was correctly prepared to our used car standards, and there was no fault present with the turbo or DPF at the time of purchase"*. And it reminded Mr M that he was responsible for ensuring the car's upkeep was maintained.

Unhappy with its response, Mr M brought his complaint to this Service, and he instructed a recognised independent engineer to inspect the car and provide its assessment of the matter.

Our Investigator looked at this complaint and said that she thought it should be upheld. She said there were clearly things that were wrong with the car, and she didn't think that TFS had acted fairly in the circumstances, and she explained the relevance of the Consumer Rights Act 2015 in this particular case.

Our Investigator explained that she found the independent engineer's report to be persuasive; it set out the faults that had been identified, the likely cause of these faults and, crucially, that these faults would have been developing at the point of supply due to poor service history. In summary, the faults with the car were inherent, and were present or developing at the point of supply. And she noted that although TFS disagreed that the faults were present at the point of supply, it had not provided any evidence to support its position.

Our Investigator concluded that the car had not been of satisfactory quality and she set out what TFS need to do to put things right. She recommended that TFS accept rejection of the car because it wasn't cost-effective to repair it, and she asked TFS to reimburse Mr M the costs he'd incurred in attempting to have the fault fixed; instructing the independent engineer; and some of the costs associated with hiring another car in order to remain mobile. She also asked TFS to pay Mr M some compensation to reflect the significant time and significant inconvenience he'd experienced because of the fault with the car.

Both parties accepted these recommendations – although I note that TFS took some time to reach this position – and the Service closed its case on 9 January 2025.

Several weeks later, Mr M contacted the Service to say he'd heard nothing from TFS. And our Investigator liaised between both parties, providing contact details so that arrangements could be made to recover the car. But in early March, it was discovered that the third-party entrusted by Mr M to store the car had mistakenly scrapped it.

Because it could no longer recover its asset, the car, TFS said it no longer agreed with our Investigator's earlier recommendations, and this Service re-opened the complaint.

TFS said, *"the customer chose to leave the vehicle with a third party who have caused this situation, and we didn't have anything to do with it. The customer will need to settle their finance agreement with us, so we would suggest that they make a claim against the business which scrapped the vehicle in error"*. And it provided details of the current settlement figure for the hire purchase agreement which it then reduced by just over 15% as a gesture of goodwill.

TFS told this Service that it had conducted a CAP valuation based on the specifics taken from the independent engineer's report to identify a realistic value for what it would've expected to receive had it taken the car to auction, and it concluded this value to be £3,725.

Our investigator reviewed the complaint again, taking into account *developments* with the car. She said recent events didn't alter her conclusions; the car had still been of unsatisfactory quality when supplied.

She noted Mr M's responsibilities under the credit agreement, namely that he was responsible for keeping *"the goods under your control, in good condition and repair"* and that *"any loss of or damage to the goods other than fair wear and tear is your responsibility"*. And she said that although the scrapping of the car wasn't directly Mr M's fault, the responsibility for the car still lay with him.

Our Investigator modified her recommendations to take account of TFS' loss of its asset, and she said it could deduct the CAP valuation of £3,725 – the amount it had said it believed it could expect at auction – from the sum it would refund to Mr M.

Mr M accepted these new recommendations. TFS did not. It said it was unable to accept rejection of a vehicle without the vehicle. But it did offer to write-off the outstanding balance due under the credit agreement and off-set this against any other refunds. This meant it would pay Mr M just over £500 in total. TFS then amended its offer to say it would refund Mr M in full *and* write off the outstanding balance. But it would not accept rejection of the car.

Because TFS doesn't agree with the recommendations in full, this case now 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.

Having done so, I agree with our investigator – I think this complaint should be upheld.

I hope that the parties to this complaint won't take it as a discourtesy that I've condensed it in the way that I have. Ours is an *informal* dispute resolution service, and I've concentrated on what I consider to be the crux of this complaint. Our rules allow me to do that. Mr M and TFS should both note, however, that although I may not address each individual point that has been raised, I have given careful consideration to all of the submissions before arriving at my decision.

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

Under the Consumer Rights Act 2015 ("CRA") there is an implied term that when goods are supplied "*the quality of the goods is satisfactory*". The relevant law says that the quality of the goods is satisfactory if they meet the standard that a reasonable person would consider satisfactory taking into account any description of the goods, price and all other relevant circumstances.

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. So, although both parties now accept that the car supplied was not of satisfactory quality, I'm going to consider this again in this decision, for completeness.

TFS supplied Mr M with a used car – it was around ten years old and had been driven just over 75,000 miles – so the price of the car was lower than it would've been if it had been supplied new. Because of this I think it's fair to say that a reasonable person would expect that parts of the car might've already suffered wear and tear. And there'd be a greater risk in the future that this car might need repairs and maintenance sooner than a car which wasn't as road-worn when supplied.

I don't think there's any dispute that Mr M has experienced problems with the car - that has been well evidenced by his testimony and the evidence he's sent us. But just because Mr M

has had problems with the car, and things have gone wrong, it doesn't necessary follow that the car supplied to Mr M wasn't of satisfactory quality.

TFS would only be responsible for putting things right if I'm satisfied that these faults were present or developing when the car was supplied – that is to say, the car wasn't of satisfactory quality when Mr M acquired it in June 2023.

Whilst investigating this complaint, Mr M instructed an independent engineer to inspect the car, specifically looking at the faults and issues identified by the garage and mechanic from whom Mr M first sought assistance. In their report, the engineer said the following:

*"Turbo failure, DPF unit, both blocked by oil...Further inspection by [third-party] revealed concerns also over the cylinder head gasket and the engine. All faults revealed to be due to long term neglect...Please inspect and provide a report on findings."*

And from reading the report, it's clear that they were provided with an accurate background that clearly set out the issues.

The purpose of the independent inspection was to ascertain whether or not these issues were genuine faults and, if so, whether they were likely present or developing at the point of supply. That is to say, whether TFS supplied Mr M with a car that was not of satisfactory quality.

The independent inspection noted:

- *"We can confirm on inspection of the turbocharger the oil feed pipe displayed heavy carbon build up. The turbo inlet pipe also displayed evidence of heavy carbon build up".*
- *"On inspection of the turbocharger, we can confirm there was no excessive play to the spindle or impellor; however, we can confirm evidence of oil contamination was present to the exhaust compressor side of the turbocharger".*
- *"All four fuel injectors were available for inspection, where we can confirm this did display carbon present to the nozzle tips".*

The engineer made the following conclusions:

- *"In our opinion based on the visible evidence we would conclude that we were able to confirm that the oil feed pipe to the turbocharger and to the turbo inlet pipe had heavy carbon build up present".*
- *"We were able to confirm oil contamination to the exhaust impellor to the turbocharger. We can confirm all four injector nozzles displayed carbon build up to the tips".*
- *"At this stage we would consider that the fault would have occurred due to poor servicing of the vehicle, causing the carbon build up to be present to the turbo oil feed pipes, turbo inlet pipe and to the fuel injector spray nozzle tips".*
- *"We would also consider, with the documentation provided, it does reveal that services were carried out on the 11/06/15 at 7,476miles and a handwritten date and mileage of 11,378 at 11/05/16. There was no further information in regards to service history".*
- *"At this stage we would consider that the fault identified would have been in development at the time of sale over the period of time in service use of the vehicle due to the poor service history as no other service history information is available".*

So in the absence of any other evidence, I'm persuaded that the car supplied by TFS was not of satisfactory quality when Mr M acquired it.

In these situations, this Service has a well-known and well-tested approach to redress – businesses understand what we expect them to do to put things right in these circumstances. This case is, however, slightly complicated by the unexpected scrapping of the car. So I've considered very carefully what impact, if any, this unusual development should have on how this complaint is to be settled.

Usually, we require the business, in this case TFS, to collect the car at no cost or inconvenience to the consumer. But this is clearly no longer possible. But helpfully, TFS has provided a valuation of the car that, taking into account all the faults that made it to be of not satisfactory quality, it could reasonably have expected to receive at auction. And I think this sum should be factored into the redress to take account of TFS' loss of its asset, so I'll instruct it to deduct this sum from the payments I'm going to ask it to make to Mr M.

### **Putting things right**

I'm directing Toyota Financial Services (UK) PLC trading as Redline Finance to put things right by doing the following:

- ending the agreement with nothing further to pay;
- removing any adverse information from Mr M's credit file in relation to the agreement;
- refunding Mr M's deposit of £7,000;
- refunding Mr M all the payments he made under the credit agreement for the period from 9 May 2024 to the date of settlement as he was unable to use the car from this point;
- refunding Mr M £1,391 for the additional expenses he incurred. This sum covers:
  - £435 – which is a 50% contribution towards his car hire costs;
  - £276 – which is the cost of the independent inspection report;
  - £680 – which is the costs of the attempts at initial repair. Mr M will need to provide a receipt for this expense;
- Deducting £3,725 from the total refund amount – this is the value TFS says its asset would've earned it at auction;
- paying 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement;
- paying Mr M a further amount of £200 for the distress and inconvenience caused.

\*HM Revenue & Customs requires Toyota Financial Services (UK) PLC trading as Redline Finance to take off tax from this interest. Toyota Financial Services (UK) PLC trading as Redline Finance must give Mr M 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 and require Toyota Financial Services (UK) PLC trading as Redline Finance to compensate Mr M as I've directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 May 2025.

Andrew Macnamara  
**Ombudsman**