

The complaint

Miss W complains about the quality of a car she acquired under a hire purchase agreement with CA AUTO FINANCE UK LTD (CA Auto) previously FCA Automotive Services UK Ltd trading as Fiat Financial Services.

When I refer to what Miss W and/or CA Auto said or did, it should also be taken to include things said or done on their behalf.

What happened

In January 2023 Miss W entered into a hire purchase agreement with CA Auto to acquire a used car. The car was first registered in April 2016. At the time of acquisition, the car had travelled approximately 72,086 miles. The cash price of the car was approximately £12,995 when Miss W acquired it. The total amount payable under the finance agreement was around £18,227. There was an advance payment of about £502.06. The agreement consisted of 59 monthly repayments each of around £288.77, and one final payment of £687.77 which included an option fee and an administration fee.

Miss W has told us about the following events:

- On 2 February 2023 the car was returned to the supplying dealership due to an oil leak and smoke coming from under the bonnet.
- On 29 March 2023 and on 18 April 2023, the car returned to the dealership with the same faults.
- On 9 October 2023 the car had a severe engine malfunction and was deemed undriveable, so it was recovered. The oil and coolant level were checked and all deemed ok, but the diagnostic carried out stated the bottom end bearing had broken. Miss W said she was told she would be liable for the costs, as the amount exceeded the limit of the lifetime guarantee. However, she does not feel that she should be responsible for the engine blowing up as she only had the car for nine months.
- In October 2023 there was an independent inspection commissioned by CA Auto which concluded the engine blowing resulted due to low oil. However, Miss W said that oil level was fine when it was checked by the recovery agents prior to independent inspection, so she said that the dealership failed to inform the inspector that the car had been tampered with and the oil had been drained.
- In February/March 2024, the supply dealership agreed to install a reconditioned engine. Miss W had the car back in April 2024.
- On 18 June 2024 the same issue occurred as with the previous engine. Smoke was coming from the bonnet when driving, there was a smell of oil and oil residue on the underside of the bonnet and exhaust manifold. So, the car went back to the supplying dealership.
- On 27 June 2024, the car was collected after a new intercooler pipe was fitted. However, just a minute into driving, the engine management light illuminated. As such, the car was returned to the dealership and Miss W said she asked to reject the car.

Miss W said that on several occasions she chased the supply dealership for job cards or repair receipts, but none have been forthcoming, and the car is still with them. She said this was a difficult time and the situation has caused her a lot of distress and inconvenience.

In August 2024 CA Auto wrote to Miss W and said that each issue Miss W has complained about has been repaired without charge to her and, as the faults were distinct and unrelated, they said the criteria for rejection of the car were not met. CA Auto suggested that the best course of action was to conduct an independent inspection of the car to determine if the issues were present or developing at the point of sale. So, they said they would book this at no charge to Miss W. And they offered Miss W £150 to recognise the inconvenience she had experienced.

Miss W was not happy, so she referred her complaint to the Financial Ombudsman Service (Financial Ombudsman).

Our investigator considered Miss W's complaint. In summary, the investigator was of the opinion that Miss W should be entitled to reject the car, and should be compensated for the months she was without it.

CA Auto did not accept the investigator's findings, so the complaint 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.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered good industry practice at the relevant time. Miss W acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. CA Auto is the supplier of goods under this type of agreement and is responsible for dealing with complaints about their quality.

I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focussed on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of the Financial Ombudsman as a free alternative to the courts.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Miss W entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. The CRA says that goods will be considered of satisfactory quality where they meet the standard that a reasonable person would consider satisfactory – taking into account the description of the goods, the price paid, and other relevant circumstances. I think in this case those relevant circumstances include, but are not limited to, the age and mileage of the car and the cash price. The CRA says the quality of the goods includes their general state and condition, as well as other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability.

In Miss W's case the car was almost seven years old, with a total cash price of approximately £12,995. It had covered around 72,086 miles. So, it is reasonable to expect there to be some wear to it, and I would have different expectations of it compared with a brand-new car. As with any car, there is an expectation that there will be ongoing maintenance and upkeep costs. There are parts that will naturally wear over time, and it is reasonable to expect these to be replaced. So, CA Auto would not be responsible for anything that was due to normal wear and tear whilst in Miss W's possession. But given the age, mileage, and price paid, I think it is fair to say that a reasonable person would not expect anything significant to be wrong shortly after it was acquired.

Miss W thinks that she should be entitled to reject the car.

The CRA sets out that Miss W has a short term right to reject the car within the first 30 days, if the car is of unsatisfactory quality, not fit for purpose, or not as described, and she would need to ask for the rejection within that time. Miss W would not be able to retrospectively exercise her short term right of rejection at a later date.

The CRA does say that Miss W would be entitled to still return the car after the first 30 days, if the car acquired was not of satisfactory quality, not fit for purpose, or not as described, but she would not have the right to reject the car until she has exercised her right to a repair first – this is called her final right to reject. And this would be available to her if that repair had not been successful.

First, I considered if there were faults with the car. It is not in dispute that the car was repaired on multiple occasions shortly after Miss W acquired it. Based on all the available evidence, most likely, the car was repaired a few times because of the oil issues and the smoke coming out from the bonnet. In October 2023, the car was recovered by a recovery agent. The report of that recovery confirms that the car had travelled around 77,931 miles and that it was unsafe to drive. As a result, the dealership agreed to install a reconditioned engine, and Miss W received the car back in April 2024. But on 18 June 2024, the same issue occurred as previously. Miss W said smoke was coming from the bonnet when driving, there was a smell of oil, and oil residue was present on the underside of the bonnet and the exhaust manifold. So, the car went back to the dealership and when the car was collected on 27 June 2024 after a new intercooler pipe was fitted, Miss W said that not even a minute after driving the car, the engine management light illuminated. As such, the car was returned to the dealership.

Based on all the above, I think the car was, most likely, faulty. But just because a car was faulty does not automatically mean that it was of unsatisfactory quality when supplied. So, I have considered if the car was of unsatisfactory quality when it was supplied to Miss W.

I know that the independent inspection commissioned by CA Auto, dated February 2024, states that the engine issues were due to low oil and incorrect maintenance. So, I have taken this into consideration. But I have also considered that the recovery agent, who recovered the car to the dealership, indicated that the oil level was ok. Miss W has also told us that when the car was recovered to the dealership, they performed their own check-up by dropping the oil sump before the car was seen by the independent inspector. Also, the inspector was not informed about this when he completed the independent inspection. So, I have kept in mind that the inspector might not have had all the details, especially as the inspector had not commented, in the report, on any of the previous repairs that were done.

I have also tried to ascertain the exact nature of the previous repairs. The dealership/CA Auto believe that the repairs were not related, but no job sheets/cards to show what was repaired have been provided. As such, I have taken what they said into consideration. But I have also taken into consideration what Miss W said, as I found her testimony to be

consistent, detailed, and credible. She has indicated that the issues the dealership was fixing were all to do with the oil leaking and smoke coming from under the bonnet.

I have considered all the circumstances of this case, including all the arguments made by CA Auto, but from the evidence available, I can see that Miss W continued to have problems with the car at the beginning and later in 2024. It seems, most likely, most of the issues were to do with the oil leaking and smoke under the bonnet. These started shortly after the car was supplied to her. So, I think most likely, these were present or developing at the point of supply. Given the age, mileage of the car, the price paid, combined with how quickly Miss W raised the above faults, I do not think the car was of satisfactory quality when it was supplied to her. I know Miss W agreed to settle the matter by allowing the dealership to install a reconditioned engine, but after the car was collected, it seems most likely, she experienced the same issues. The dealership did a further repair but when the car was collected for the last time the engine management light illuminated. As such, I think, most likely, at that time the car was still not fixed.

I thought about if Miss W should be able to reject the car or should another repair be attempted. While considering this, I also considered that CA Auto wanted to do another inspection. However, considering the specific circumstances of this case, I do not think it would be fair and reasonable for them to do another inspection or have another attempt at a repair. I think now a more fair and reasonable solution would be for Miss W to be able to exercise her right of rejection under the CRA.

When coming to this conclusion I have considered that the supplying dealership had seen the car on more than one occasion and failed to repair it. I also reflected that a repair would cause further delays, costs, and inconvenience to Miss W. In this case, we look at the car as one item, rather than considering each individual component in the car. So, the CA Auto does not get one chance to repair each different fault, simply one chance to repair the car. Miss W first raised issues a long time ago. Under the CRA, CA Auto are responsible for carrying out the repairs within a reasonable time and without significant inconvenience to Miss W, which has not happened in this case. Bearing in mind the specific circumstances of this complaint, and considering the amount of time that has passed, I do not think that a repair would be a fair and reasonable outcome. So, I think Miss W should now be able to reject the car.

CA Auto should end the hire purchase agreement ensuring Miss W is not liable for payments after the point of collection (they should refund her any overpayment for these, if applicable). They should collect the car from wherever it is located without charging for its collection.

Miss W has been able to use the car, so I think it is reasonable she pays for this use. As such, CA Auto can keep all payments that were due except for when the car was getting repaired from October 2023 until May 2024. Also, all the payments should be refunded from July 2024 onwards.

CA Auto should also refund the advance payment of £502.06.

CA Auto should add interest to the refunded amounts from the date of each payment until the date of settlement. Interest should be calculated at 8% simple per year.

Any adverse information should be removed from Miss W's credit file and the credit agreement should be marked as settled in full on her credit file, or something similar, and should not show as a voluntary termination.

I know that Miss W has mentioned that this situation had an impact on her and had caused her a lot of distress and inconvenience while trying to resolve it. Miss W has explained, in

great detail, how this has impacted her life. Also, she had to take the car for repairs and spend a significant amount of time trying to resolve this issue. I think Miss W would not have experienced all of this, had CA Auto supplied her with a car that was of a satisfactory quality. CA Auto has already offered Miss W £150 to recognise the inconvenience she had experienced, but I think they should pay her a total of £400 (£150 already offered plus an additional £250) in compensation to reflect the impact this situation had on her.

My final decision

For the reasons given above, I uphold this complaint and direct CA AUTO FINANCE UK LTD to:

1. End the hire purchase agreement ensuring Miss W is not liable for payments after the point of the car's collection (they should refund her any overpayment for these if applicable);
2. Collect the car from wherever it is located without charging for the collection;
3. Keep all the payments that were due except for when the car was getting repaired from October 2023 until May 2024. All payments should be refunded from July 2024 onwards;
4. Refund the advance payment of £502.06;
5. Add 8% simple interest per year to all refunded amounts, from the date of each payment to the date of settlement;
6. Pay Miss W a total of £400 compensation, if this has not yet been paid;
7. Remove any adverse information recorded on Miss W's credit file in relation to this credit agreement. The credit agreement should be marked as settled in full on her credit file, or something similar, and should not show as voluntary termination.

If CA AUTO FINANCE UK LTD considers that tax should be deducted from the interest element of my award, they should provide Miss W with a certificate showing how much they have taken off, so she can reclaim that amount if she is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 21 July 2025.

Mike Kozbial
Ombudsman