

The complaint

Miss B is unhappy that a car supplied to her under a hire purchase agreement with CA Auto Finance UK Ltd (CA Auto) was of an unsatisfactory quality.

What happened

In September 2022 Miss B was supplied with a new car through a hire purchase agreement with CA Auto. She paid an advance payment of £3,500 and the agreement was for £32,964 over 48 months; with 47 monthly payments of £309 and a final payment of £14,632.

Miss B said she had issues with the car in the first six months but was told nothing was wrong with it. She said she continued to have problems before the car broke down in November 2023. The cause was described as a major engine manufacturer fault and was taken to the supplying dealer for repair. It replaced the timing belt, but she didn't get the car back until February 2024.

She said she had issues with the car in the first month after it was returned to her. She complained to CA Auto and said she wanted to reject the car as she believed it was not roadworthy.

She said that the car broke down again in November 2024. The dealer told her it was a fault with the EV belt and tensioner and repaired it under warranty. It also confirmed the earlier fault with the timing belt was due to an internal failure and not wear and tear.

Miss B said the car was not fit for purpose. She said it had been in the garage for eight months and she feels something is wrong with it. She also said when it was returned to her four months later it was full of mould, which impacted on her health as she had asthma.

CA Auto arranged for an independent inspection. A full diagnostic report was not possible, but the report concluded that the faults Miss B had reported would have developed during the 8,600 miles covered since Miss B acquired the car. CA Auto said they considered the faults to be due to wear and tear as Miss B had now done 14,597 miles in the car. So they would not accept that allowing Miss B to reject the car was a suitable option.

In response to her second complaint raised in November 2024, they confirmed the supplying dealer had agreed to repair the car but this was delayed as the necessary parts were not available. CA Auto said they wouldn't accept rejection of the car due to the length of time it had been in her possession.

Miss B was unhappy with this response, so she referred her complaint to our service for investigation.

Our investigator said major faults had been found and accepted as repairs under the manufacturer's warranty. She said she was satisfied that the car was not of satisfactory quality as it wasn't sufficiently durable.

She said Miss B should be allowed to reject the car.

Miss B didn't agree with the investigator. She was happy that she should be allowed to reject the car. She didn't agree with the amounts of redress the investigator had suggested. Miss B said that the courtesy cars were provided by the manufacturer, and not CA Auto – so she should get a refund of the monthly payments she'd made to CA Auto.

She also said the £200 award didn't reflect the distress and inconvenience she'd suffered. CA Auto accepted the investigator's outcome.

Because Miss B didn't agree, this matter has been passed to me to make 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. Miss B was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Miss B 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, freedom from minor defects, and durability.

So, if I thought the car was faulty when Miss B 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 CA Auto to put this right.

Here, I'll consider that the car was new. So, I think a reasonable person would expect trouble free motoring for some time.

I'm satisfied the car was not of satisfactory quality. I say that because the car suffered from a manufacturing defect after just 15 months and 10,000 miles. That was when the timing belt failed – a part that the supplying dealer described as having an expected lifespan of 150,000 miles. It was described as a fault caused by the tensioner not holding pressure, causing the timing chain to slip.

This was followed by a second significant failure, just nine months after the first repair. At this point the fault required the replacing of the EV generator, belt and tensioner. The car had done only 17,680 miles.

I've seen no evidence that suggest the faults were due to a lack of maintenance or driving style.

These were significant failures, that made the car undriveable, and required significant repairs. I don't think a reasonable person would expect such failure of parts to have happened in a car that was just over two years old, and had spent much of that time in the garage awaiting repair. So, I'm satisfied this meant the car wasn't durable when supplied and so also of unsatisfactory quality for these reasons.

I've carefully considered the independent reports. The first was from July 2024 when Miss B reported a burning smell, a warning light, the car lacking power, and was slow to drive off. The car had done 14,602 miles. The engineer couldn't replicate the faults. He said he was unable to complete a full diagnostic and suggested a full diagnostic check be completed at a main dealer garage. He said the faults occurred during ownership and would not have been present at point of sale.

I'm not persuaded by this report. The engineer was unable to find the fault, or complete a full check. It says that the faults weren't present at the point of sale. But I think it likely that the faults were related to the later diagnosis that the EV belt needed placing. So I remain satisfied that the faults made the car not durable.

Miss B commissioned her own independent report in December 2024, when the car had done 17,680 miles since purchase. This said that the car would not "*take up drive*" indicating a potential problem with the transmission, and reported an abnormal noise, possibly from the flywheel. The engineer suspected that the noise from the flywheel and the lack of drive may be connected.

He said that the cause would be due to the failure of the EV generator. He said that the fault was not connected to the previous issues with the timing chain replacement, and it would not have been present or developing at the time of sale to Miss B.

This report related the fact the car would not "*take up drive*" to the need to replace the EV generator. The first report noted Miss B's complaint that the car lacked power and was slow to drive off. I'm persuaded that the issue that the garage confirmed in November 2024 is more likely than not to be the same issue as Miss B first reported in July 2024, when the car had done less than 15,000 miles.

I'm satisfied that both of these faults meant the car wasn't durable when supplied and so of unsatisfactory quality for these reasons.

So, having found the car wasn't of satisfactory quality, I need to consider what CA Auto needs to do to put things right.

Putting things right

I'm satisfied that Miss B had a right to reject the car when the EV generator failed. I say this as the CRA explains a consumer has the right to reject if:

"after one repair or one replacement, the goods do not conform to the contract"

Miss B had asked to reject the car when it failed for the second time. I'm satisfied at the time the EV generator failed, the car had already been subject to a repair for an issue which meant the car wasn't of satisfactory quality. As another issue arose which also meant the goods were not of satisfactory quality, the goods did not 'conform to the contract' following the repair.

Section 23 of the CRA states:

*If the consumer requires the trader to repair or replace the goods, the trader must –
(a) do so within a reasonable time and without significant inconvenience to the consumer*

On both occasions it took around four months for repairs to be completed, so it's arguable that CA Auto failed to comply with Section 23(2)(a) of the CRA. And, in these circumstances, Miss B should have been able to reject the car.

No Payment Refund

The car was off the road and undriveable on two occasions whilst it was in for repairs. On both occasions Miss B was provided with a courtesy car. She said this was provided by the supplying dealer under a clause in the warranty. She believes she should be refunded all of the monthly payments she made whilst the car was in the garage. She said the courtesy car was not paid for by CA Auto so they have suffered no financial loss.

My role is not to punish or fine a business so that they suffer some sort of financial loss. My role is to put things right fairly and reasonably. Miss B was kept mobile throughout the period her car was in for repairs. I think that's reasonable, even though the courtesy car wasn't an exact replacement, it was a similar size of car. So it follows that I think it only fair and reasonable that she pays her monthly payments as she was kept mobile during the time the car was in for repair.

So, I won't be asking CA Auto to refund any of the payments she's made.

However, it's clear that Miss B has been inconvenienced by having to arrange for the car to be repaired on more than one occasion. And she was further inconvenienced by being provided with a courtesy car that wasn't the same as the new car she's purchased. It's clear that she found the whole matter stressful. I think this wouldn't have been the case had CA Auto supplied her with a car that was of a satisfactory quality. So, I think CA Auto should pay her £200 in compensation to reflect the distress and inconvenience caused.

Therefore, CA Auto should:

- end the agreement with nothing more to pay;
- collect the car at no cost to Miss B;
- remove any adverse entries relating to this agreement from Miss B's credit file;
- refund the £3,500 deposit Miss B paid (if any part of this deposit is made up of funds paid through a dealer contribution, CA Auto is entitled to retain that proportion of the deposit);
- apply 8% simple yearly interest on the refunds, calculated from the date Miss B made the payment to the date of the refund[†]; and
- pay customer an additional £200 to compensate her for the distress and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality.

[†]If CA Auto considers that tax should be deducted from the interest element of my award,

they should provide Miss B with a certificate showing how much they have taken off so she can reclaim that amount, if she is eligible to do so.

My final decision

For the reasons explained, I uphold Miss B's complaint about CA Auto Finance Ltd and they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 24 June 2025.

Gordon Ramsay
Ombudsman