

The complaint

Mr N complains that the car he acquired financed through a hire purchase agreement with Metro Bank PLC, trading as RateSetter, wasn't of satisfactory quality.

What happened

On 12 October 2023 Mr N acquired a used car financed through a hire purchase agreement with RateSetter. Mr N said not long after he acquired the vehicle he found a fault with it. He said the fault was fixed by the dealer/garage but a couple of weeks later it was faulty again. Mr N said he raised this with the garage which he said refused to repair it or give him his money back. He first complained to the broker, B, which opened an investigation. A complaint was eventually raised with RateSetter.

RateSetter issued a final response in which it said the broker and dealership were working to resolve the situation. It also gave referral rights to this service. After the complaint came to this service the broker arranged an independent inspection of the vehicle which concluded there were faults with the car, but they wouldn't have been present at the point of sale.

Our investigator concluded the car was of satisfactory quality at the point of sale. Mr N didn't agree and asked for a decision from an ombudsman. I issued a provisional decision on 29 April 2025. I said:

RateSetter, as the supplier of the car, was responsible for ensuring that it was of satisfactory quality when it was supplied to Mr N. Whether or not it was of satisfactory quality at that time will depend on several factors, including the age and mileage of the car and the price that was paid for it. The car that was supplied to Mr N was about six and a half years old, had been driven approximately 51,000 miles and had a price of £13,999. Satisfactory quality also covers durability which means the components within the car must be durable and last a reasonable amount of time – but exactly how long that time is will depend on several factors.

If I am to decide the car wasn't of satisfactory quality, I must be persuaded faults were present at the point of supply. Faults that developed afterwards are not relevant. Moreover, even if the faults reported were present at the point of supply this will not necessarily mean the car wasn't of satisfactory quality. This is because a second-hand car might be expected to have faults, for example tyres may be damaged from wear and tear but this will not necessarily mean the car is not of satisfactory quality.

Fault

I'm persuaded there is or was a fault with the vehicle. I say this having listened to Mr N's testimony to this service, messages and I've also read the independent report. It states that:

- "In our opinion based on the visible evidence, we can confirm that we did observe faults with the vehicle in the form of an excessive coolant leak*

from the oil cooler/oil filter housing and an oil leak from the crankshaft pulley oil seal.”

Satisfactory Quality

I’ve listened to Mr N’s complaint call to this service. He said there was a problem with the car which he complained to the selling garage/dealer, D, about on 24 October. He had a diagnostic inspection by a local independent garage and he then said D was willing to fix it. Mr N said at first he wanted to give the car back straight away but was told that due to the policy he had to give D a chance to fix the car first.

Mr N shared screen shots of text messages with the garage. The messages said four fault codes related to the engine control unit were found and the car was in limp mode. The message also said there was a drivetrain fault and the engine light stays on, the vehicle doesn’t have power, there was an oil leak and water in the headlights. There followed some messages between 24 October and 30 October arranging for D to repair the car.

I haven’t seen the full diagnostic report of what was wrong with the car at this point nor have I seen a copy of the job sheet. But the messages and Mr N’s testimony appear to be credible in that there were issues with the vehicle within two weeks and D repaired them. I’ve also seen correspondence between RateSetter and the broker, dated 21 February 2024, which confirmed RateSetter considered the car not of satisfactory quality (prior to the independent inspection) on the basis of this same evidence.

Mr N acquired the car on 12 October and had to have it repaired less than two weeks later so I’m persuaded there was a fault likely present or developing at the point of sale. Mr N brought it to the attention of D very quickly and D diagnosed and repaired the fault. The Consumer Rights Act 2015 (CRA) allows the business one chance at repair and Mr N said D advised him of this. So I’m minded to conclude the car wasn’t of satisfactory quality when it was supplied to Mr N.

Mr N said D fixed the car but a couple of weeks later it broke down again. He said he took it to a specialist garage which diagnosed several issues. On the quote for repairs, dated 22 December 2023 the garage has noted the drivetrain fault light is on again and there is mechanical failure. It noted the following faults and repairs needed:

- Heavy coolant leak detected*
- Turbo wastegate actuator to be replaced*
- Front main seal to be replaced*
- Oil filter housing to be replaced (oil filter and oil must be changed also)*
- Engine oil cooler and filter housing to be replaced*
- Timing chain cover to be replaced*

The total cost including labour is noted as £1,723.35. Mr N said D wouldn’t repair or cover the cost and the warranty would only cover £500. I’ve seen a copy of a text message from D to Mr N. It says:

“We have given our reasons to (the broker) as to why we are not willing to help with the ridiculous pricing of the garage you took the vehicle to”.

It’s not unreasonable for the selling dealer/garage to query a diagnostic report and quote from another garage. But in such a situation I would have expected D to get

the car back in for further diagnostics to identify what the problems were, if they were related to the original problem and if there was a failure of the previous repair. But this didn't happen. I note however that in the message D hasn't disputed there is a problem with the car again, only the pricing.

Mr N didn't get further with repairs so he complained to RateSetter. I've seen a copy of an email trail between RateSetter and the broker. Mr N complained on 17 January 2024. RateSetter asked the broker for more information on 31 January and chased it for a response on 14 February after Mr N said he had left the car with D. On 21 February RateSetter suggested to the broker that the agreement should be unwound based on the evidence Mr N had already provided. It was only after several chasing emails that the broker confirmed an inspection would take place. This was on 25 March. The inspection eventually took place on 2 April.

In the report the engineer said:

- "We performed a coolant pressure test with a pressure of 15psi, the pressure tester instantly lost pressure and we noted excessive water running out of the oil cooler/oil filter housing.*
- On inspection of the turbocharger it had white lettering on it which indicated it was not the original turbocharger.*
- We noted an oil leak from the crankshaft oil seal.*
- We started the vehicle from cold and the engine started readily. There was a cooling system failure message indicated on the dashboard. The engine displayed a slight tick at idle."*

The report concluded:

- "We would conclude that we did observe faults of an excessive coolant leak from the oil cooler/oil filter housing and an oil leak from the crankshaft pulley oil seal.*
- Considering the vehicle has incurred 2,351 miles over a period of 83 days since purchase we would advise that on our engineering perspective that these faults would not have been present at the point of vehicle sale.*
- We do not consider the issues to be the result of durability issues."*

Neither D nor RateSetter has denied the car had to be repaired within the first 30 days of Mr N having it. Although I haven't seen a job sheet for these repairs I can see at least one problem was noted by Mr N in October and also noted by the engineer. It's not clear to me if the engineer was aware the vehicle had been repaired in October. So although the engineer has said the faults wouldn't have been present at the point of supply I'm persuaded at least one fault – oil leak – was likely present.

But irrespective of this the CRA allows the business one opportunity to repair. The faults noted by the engineer may or may not be related to the faults in October but I'm satisfied the dealer has had its one chance to repair the vehicle. Having had that opportunity the car has failed again, so subject to any further information I might receive I now think it fair and reasonable that Mr N be allowed to reject the car.

Mr N's car failed in October, was repaired and then failed again in December. He was able to drive 2,351 miles in that time. He had the leak fixed on 31 May but not the timing chain issue but has been able to use the car since. So I'm minded to instruct RateSetter to refund Mr N's payment dated 20 November and all payments

made between 22 December and 31 May 2024 and also the costs of the repair.

Mr N has explained to this service the problems he had getting help from the dealer. I've also seen that RateSetter closed the complaint when it thought it was being dealt with by the dealer and broker which I don't believe was fair. Mr N then had to wait three months for the inspection. So I think it fair and reasonable that RateSetter pay Mr N £200 in compensation for the poor service and inconvenience.

Both parties accepted my provisional findings. Mr N requested his insurance costs be refunded.

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 both parties have accepted my provisional decision, I see no reason to depart from its conclusions. Mr N has requested his insurance costs also be refunded and I understand why he would want this. Car insurance is mandatory to be able to drive legally on public roads. Mr N signed a hire purchase agreement to acquire a car, and he has been driving it mostly through the duration of the agreement - his intention was to get a car. I think it likely that had he not had this faulty car he would've had a different car so he would have incurred insurance costs anyway. So, I don't think it fair for me to instruct RateSetter to refund those costs.

Putting things right

To put things right Metro Bank PLC, trading as RateSetter must:

1. End the hire purchase agreement and arrange for the car to be collected from Mr N both at no cost to him.
2. Refund the deposit paid by Mr N (£1,000).
3. Refund to Mr N all the amounts he has paid for the repairs upon receipt of proof of payment.
4. Refund Mr N's payment dated 20 November 2023 and all payments made between 22 December and 31 May 2024.
5. Pay 8% simple yearly interest on these refunded amounts in 2, 3 and 4 above, from the date of payment until the date of settlement.
6. Pay a further amount of £200 for any distress or inconvenience that's been caused.
7. Ensure that no adverse information about the agreement is recorded on Mr N's credit file.

My final decision

My final decision is that I uphold this complaint and Metro Bank PLC, trading as RateSetter, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 12 June 2025.

Maxine Sutton
Ombudsman