

The complaint

Mr R complains that a car supplied to him under a hire purchase agreement with Black Horse Limited is of unsatisfactory quality. Black Horse Limited have upheld the complaint and offered redress. Mr R is left unhappy at the redress offered by Black Horse Limited (BHL) in relation to his hire car costs to resolve the complaint.

What happened

The circumstances surrounding this complaint and my initial findings were set out in my provisional decision which said:

In December 2023 Mr R entered into a hire purchase agreement with BHL to acquire a used car. The car was around three years old, with a mileage of around 24,222 according to the agreement. The cash price of the car was £14,499.00 with an advance payment of £12,317.00 being made. The total amount payable on the agreement was £14,823.14, payable over 27 months. This was made up of a first payment of £127.62 followed by 25 monthly repayments of £127.62, with a final repayment of £127.62. The hire purchase agreement made up £92.82 per month in payments with the other £34.80 from a fixed sum loan agreement alongside, covering warranty and dealer guarantee along with guaranteed asset protection (GAP) insurance combining into the full monthly payment.

Mr R explained that in March 2024, his car had broken down. He complained about this, and BHL issued a final response in which it upheld Mr R's complaint and offered to pay the following to resolve the complaint:

- £250 distress and inconvenience
- £12,317.00 deposit
- £893.34 repaid from his monthly instalments made.

BHL explained that they didn't agree with the hire car costs Mr R was asking to be reimbursed for, as he hadn't raised the issue with them for around three months, and they argued he'd hired newer and higher spec cars than the car supplied under the agreement and so hadn't taken steps to mitigate his costs.

Mr R was unhappy with this resolution as he stated he'd paid a highly significant amount for hire cars due to being supplied with a faulty vehicle and wanted his hire car costs covered in full. As such, Mr R brought his complaint to this service, complaining solely about the hire car costs, where it was passed to one of our investigators.

The investigator upheld the complaint. She explained that she didn't think BHL's offer was fair. The investigator explained she thought the fairest way to resolve the complaint would be for BHL to reimburse anything Mr R paid (car hire costs and what Black Horse charged him for fair use) above 70% of the average monthly car hire costs for the time Mr R had use of a car, for the term of the agreement, with 8% simple interest, on top of all that it has already refunded.

The investigator thought this as Mr R had tried to mitigate his losses, but that the 70% figure would represent fair usage for the time he had use of a car whilst his was unusable.

Mr R was unhappy with this, as he feels he should be entitled to all of his hire car costs back, due to being supplied with a defective vehicle by BHL. As such, I've been asked to review the complaint to make a decision.

As a note, this complaint is about costs, and as such I will not focus on the car being of unsatisfactory quality as this has been agreed by all parties. I can see Mr R has referenced a number of Financial Ombudsman Service decisions in his correspondence and reasoning as to why he didn't agree with the investigator's outcome. I would like to say that each case is decided on its own individual merits, and while one case and its facts can seem similar and relevant, there may be key differences meaning different outcomes can be reached.

I sent Mr R and BHL my provisional decision on 19 May 2025. I explained why I thought the complaint should be upheld. The key parts of my provisional findings are copied below:

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.

Mr R acquired a car under a hire purchase agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Mr R's complaint about BHL. BHL is also the supplier of the goods under this type of agreement meaning they are responsible for a complaint about the supply of the car and its quality.

The Consumer Rights Act 2015 (CRA) is relevant in this case. It says that under a contract to supply goods, there is an implied term that "the quality of the goods is satisfactory, fit for purpose and as described". To be considered as satisfactory, the CRA says the goods need to meet the standard that a reasonable person would consider satisfactory, considering any description of the goods, the price and all the other relevant circumstances.

So, it seems likely that in a case involving a car, the other relevant circumstances a court would consider might include things like the age and mileage at the time of sale and the vehicle's history.

As explained above, all parties agree the vehicle was not of satisfactory quality when it was supplied, and I'm also persuaded of this. This decision focuses on the hire car costs incurred.

As outlined, Mr R incurred significant hire car costs over a period of around six months whilst his car was unusable according to the evidenced costs supplied by Mr R. Mr R explains he had to incur these costs as he had to stay mobile. BHL think the costs are unfair as Mr R hired newer vehicles than the one under his agreement with higher specs. Having looked at everything I have, including the invoices for the hire cars, I'm persuaded that Mr R has tried to mitigate his costs where possible, by hiring cars that a reasonable person might not consider out of line with the car provided under his agreement based on availability. Had Mr R had hired significantly higher cost vehicles or more luxurious models, I would likely think differently about this. Mr R has also explained he needed to keep his family mobile, and I'm not persuaded the cars he has hired are unsuitable for this purpose. I'm also persuaded he tried to mitigate his costs by hiring the cars he did.

I acknowledge BHL's point about not being aware of the issues for the first three months, but I can see Mr R has been working with his warranty provider and selling dealership to try to

have the issues rectified. Mr R needed to keep mobile during this time and I don't think it was unreasonable of him to take this action. Mr R only had to incur these reasonable costs as a result of the vehicle provided by BHL not being of satisfactory quality.

Having said this, Mr R should pay a fair amount for the time he's had a vehicle under this agreement including for the time it was unusable, but that he was covered by the hire cars. It wouldn't be fair for Mr R to be refunded his monthly payments towards his hire purchase agreement and all of his hire car costs.

I invited both parties to make any further comments. Mr R responded to say he accepted my provisional decision. BHL did not respond.

Now both sides have had an opportunity to comment, I can go ahead with my final decision.

Findings

As neither party responded to my provision decision with any further information that would change my reasoning or outcome, I see no reason to depart from my findings above. I've copied below what I provisionally decided BHL need to do to put things right. As I received no further information or comments that affect this, this has also not changed.

Putting things right

So, having decided it is fair for Mr R to receive some of his costs back, and that I'm persuaded he tried to mitigate where possible, I then needed to decide on the fairest way to resolve the complaint. The investigator decided a fair way to resolve the complaint would be for BHL to take 70% of the average hire car costs and refund anything paid above this taking into account the refund already paid. I disagree with this method in this particular case with its own circumstances.

This is because the hire car costs are higher than what Mr R would have been expected to pay under his agreement had he been provided with a car that was of satisfactory quality. As a reminder, Mr R only had to incur these costs above his agreement cost because he was supplied with a vehicle that wasn't of satisfactory quality. Mr R should not be penalised and put in a worse position for paying a larger deposit through no fault of his own. This was all agreed to as part of the agreement, and Mr R was without a large sum of money in the form of his deposit during the time the agreement was in force.

Having thought about this, I'm satisfied that it is fair Mr R receives all of his evidenced hire car costs refunded from the first hire car pickup date in March 2024 to the final hire car return date in September 2024. Alongside this, BHL should also add to this the amount left over between the refund of some of the monthly payments returned to Mr R through the final response and the amount he had actually paid under the agreement. BHL should then take off of this total amount, a payment for each month Mr R made towards his agreement (£127.62), for each month it was in force, to when the vehicle was collected. BHL have already refunded Mr R some of his monthly payments back as part of their response to the initial complaint, so they should be entitled to deduct this amount already refunded from the total reimbursement due also.

Mr R has mentioned that he'd like the GAP and warranty products covered under the fixed sum loan part of the agreement alongside the admin fee of £149 paid through a supplementary invoice with the dealership to be refunded.

It is fair that the GAP and warranty products are paid for by Mr R within the monthly payments described above as these were active parts of the agreement whilst it was in force

and may have provided needed cover under other aspects, although I acknowledge Mr R's position on this. As the admin fee was not part of the finance agreement, and was a supplementary invoice by the dealership, this is not something I would hold BHL responsible for. Mr R may want to complain about the admin fee to the dealership separately.

This method of redress will reimburse Mr R's hire car costs, minus the monthly payments made towards the agreement ensuring that Mr R should only pay a monthly instalment for the time he had a car under the agreement. It is fair Mr R pays what he agreed to pay under the agreement. I acknowledge BHL's position, however if the car was of satisfactory quality, this is all Mr R would have been paying, and he shouldn't lose out because of the quality of the car BHL provided. If Mr R had paid a smaller deposit, it's likely he'd have been paying larger monthly payments, or payments over a greater term, however this is not what happened in this case and as such it isn't fair to penalise Mr R.

My final decision

For the reasons explained, I uphold Mr R's complaint and instruct Black Horse Limited to do the following:

- Reimburse Mr R's evidenced hire car costs from 26 March 2024 (the agreed collection date of the first hire car) to 25 September 2024 (the agreed return date of the last hire car) alongside the amount outstanding between the refund paid as outlined above.
- Black Horse Limited should deduct an amount in line with the monthly payments and the already repaid amount from the total to be reimbursed as outlined above.
- Pay 8% simple yearly interest* on the above, to be calculated from when Mr R made each payment being reimbursed to the date of the settlement.

*HM Revenue & Customs requires Black Horse Limited to deduct tax from the interest amount. Black Horse Limited should give Mr R a certificate showing how much tax it has deducted If he asks for one. Mr R can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 July 2025.

Jack Evans
Ombudsman