

The complaint

Mrs A complains about the quality of a car she acquired under a hire purchase agreement with RCI Financial Services Limited trading as Mobilize Financial Services (MFS).

When I refer to what Mrs A and MFS said or did, it should also be taken to include things said or done on their behalf.

What happened

In July 2022, Mrs A entered into a hire purchase agreement with MFS to acquire a used car first registered in May 2019. At the time, the car had travelled around 29,025 miles. The cash price of the car was around £13,645. The total amount payable was around £17,339. The agreement's duration was 49 months consisting of first payment of around £258, then 47 monthly repayments of around £258, followed by a final repayment of about £4,945.

Mrs A said that in October 2024, her car suffered a catastrophic engine failure, despite no prior warning signs or dashboard alerts. Mrs A said the car had travelled around a total of 80,000 miles and had a full-service history, so the level of failure was unexpected and deeply concerning. The repair estimate she was provided was over £9,000 for a new engine and turbo. Mrs A said that she has since gone into arrears with the car payments, and that it was unaffordable for her to pay for two cars. Mrs A raised a complaint with MFS.

In December 2024 MFS wrote to Mrs A and said their field of expertise lies within finance, so they are not qualified to assess the mechanical performance or required repairs of Mrs A's asset and are reliant on the expertise of the manufacturer and their dealer network. So they said, they asked the supplying dealership for their comments. The dealership advised, after their technician looked at the car, that the loss of power and failure to restart was a result of a cracked thermostat causing the engine to overheat and fail. The technician recommended a new engine and turbo costing £9,189.60. MFS said that as a gesture of goodwill, the dealership offered to cover the cost of investigation totalling £114, therefore reduced the overall cost to £9,075.60.

In that correspondence MFS also said that Mrs A is responsible for paying costs associated with both routine servicing and maintenance, as well as repairs, where these are not covered under any service plan or product warranty. They said there was no contractual liability for MFS to pay these costs within the terms of the finance agreement with Mrs A.

Mrs A was unhappy with this and referred her complaint to the Financial Ombudsman Service (Financial Ombudsman).

Our investigator looked at Mrs A's complaint. The investigator was of the opinion that the car was of unsatisfactory quality. In particular, that it was not reasonably durable. The investigator felt that, in this specific instance, a well-maintained and serviced car should not have suffered this failure at the point it did. In summary, the investigator thought that MFS should repair the car or allow Mrs A to reject it, if a repair is uneconomical.

MFS did not agree, 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 to have been good industry practice at the relevant time. Mrs A acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. MFS is the supplier of the goods under this type of agreement and is responsible for dealing with complaints about their quality.

Also, I can only consider the actions/inactions of MFS and only the aspects they are responsible for, and I cannot look at certain actions and/or inactions of the dealership or broker or the manufacturer which Mrs A might be unhappy about. So, in this decision I only focused on the aspects I can look into. And, I am only looking at the events that have been raised by Mrs A with MFS, the ones they had an opportunity to address after she raised her complaint.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mrs A 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 Mrs A's case the car was around three years old and, at the time of acquisition, had travelled around 29,025 miles, and the total cash price was around £13,645. I would have different expectations of it compared to 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. And with second hand cars, it is more likely parts will need to be replaced sooner or be worn faster than with a brand-new car. So MFS would not be responsible for anything that was due to normal wear and tear whilst in Mrs A's possession. But given the age, mileage and price paid, I think it is fair to say that a reasonable person would have high expectations of it and would expect the quality of the car to be of a higher standard than a car which is more road worn or has a lower price. Also, I think a reasonable person would expect it to be free from defects for a considerable period of time.

First, I considered if there was a fault with the car. From the evidence on file, there does seem to be an issue with the car. I can see from the job card dated November 2024, when the car had travelled 81,090 miles, that there was an engine fault: the car had lack of compression and the thermostat had split in half, causing engine to overheat and fail. Also, there was metal in the oil, so it was advised that the car will require a new engine and turbo. This was to cost approximately £9,076.

Based on the above I think, most likely, the car was faulty, but just because there are, or there were, faults found with the car does not mean the car was of unsatisfactory quality at the point of supply. So, I've gone on to consider if the car was of satisfactory quality.

Briefly, MFS do not believe they are responsible for what happened to the car.

In summary, MFS said that Mrs A has travelled a lot more miles than would be considered average driving. They feel it would be unfair to assert that the car was not reasonably durable, especially considering it covered a significant distance of 52,000 miles in the time Mrs A had the car. MFS feel this level of usage within a short timeframe demonstrates the robustness and durability of the car, indicating that it had performed well under substantial usage. They said that there is a distinct possibility the high mileage covered over a short period of time has put undue pressure on the relevant parts and caused them to fail earlier than would have been expected, listing factors such as frequent stop-start driving, heavy towing, or driving in extreme weather conditions as examples which can accelerate the degradation of the car's components. They argued that over time, all mechanical components will naturally wear down due to friction, heat, and other factors, and while regular maintenance can help to extend the lifespan of components, eventual wear and tear is inevitable. MFS also said that they do not know how the car was driven, nor what maintenance was completed on the car during the time Mrs A had the car.

So, I have taken into consideration the points MFS made, but overall, I do not think the car was of satisfactory quality when it was supplied, and, more specifically, that it was reasonably durable.

I say the above because even though Mrs A had the car for over two years and was able to travel around 52,000 miles, when considering the age, mileage of the car when supplied, the price paid, combined with when the faults first became apparent (at around 81,090 miles), I think most likely, a reasonable person would not consider the car with these faults to be of satisfactory quality. When arriving at this conclusion I have considered a few aspects.

I considered how long a thermostat should normally last and, more importantly, the way it failed. I think, most likely, the thermostat failed prematurely, especially given that Mrs A has maintained and serviced the car at the required intervals. However considering how the thermostat failed, I think, it is even more important to my conclusion of the thermostat and the car not being sufficiently durable. From the job sheet, I can see that the thermostat split in half which in turn, most likely, caused the metal to enter the engine oil causing the car to need a new engine and turbo. Typically, when a thermostat fails it, most likely, seizes/gets stuck in an open or closed position or somewhere in between. However in Mrs A's car, the diaphragm has failed as it split in half. I think most likely, a reasonable person would not expect that type of the failure to happen at the particular age and mileage of the car, especially given it was properly maintained. As such, I disagree with MFS that, most likely, the high mileage covered over a short period of time put undue pressure on the thermostat causing it to fail earlier than would have been expected.

Also, I disagree with MFS when they say Mrs A's driving or when she maintained the car could have had an impact on the failure, because I have not been given enough evidence, on balance, to make that conclusion.

Overall, I'm persuaded that, more likely than not, the car would not be considered reasonably durable rendering it of unsatisfactory quality, and MFS need to do something to put things right. As such, MFS should arrange and carry out the repairs to the car at no cost to Mrs A and within a reasonable timescale.

I will also say that I think a repair is the right outcome in this case, but if MFS thinks it would be disproportionate to make the repairs, as this would impose costs on them that, most likely, would be deemed unreasonable, then Mrs A should be allowed to reject the car instead of arranging a repair. If MFS chose this option, they should end the hire purchase agreement with nothing further to pay and collect the car from wherever it is located at no cost to Mrs A.

Also, whichever option MFS chooses, whether a repair or rejection of the car, they should also do all of the below.

Mrs A has been able to use the car until October 2024, so I think it is reasonable she pays for this use. So, MFS should refund any payments from when the car broke down in October 2024 until it is repaired, or until it is collected if it is disproportionate to make the repairs.

Any adverse information should be removed from Mrs A's credit file. If MFS chooses to end the hire purchase agreement with nothing further to pay and collects the car, then 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.

MFS should also 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.

I also think that this matter caused Mrs A a lot of distress and inconvenience when trying to resolve it. She had to correspond and pursue a fair outcome with MFS for some time. In addition, she had to make other arrangements, as she needed a car to commute to work, which I think she would not have had to do if MFS supplied her with a car that was of satisfactory quality. So, I think MFS should pay her £300 in compensation to reflect the distress and inconvenience caused.

My final decision

For the reasons given above, I intend uphold this complaint and direct RCI Financial Services Limited trading as Mobilize Financial Services to:

1. Arrange and carry out the repairs to the car at no cost to Mrs A and within a reasonable timescale; Or end the hire purchase agreement with nothing further to pay and collect the car from wherever it is located at no cost to Mrs A;
2. Refund any payments from when the car broke down in October 2024, until it is repaired or until it is collected if it is disproportionate to make the repairs;
3. Add 8% simple interest per year to all refunded amounts, from the date of each payment to the date of settlement;
4. Pay Mrs A £300 compensation;
5. Remove any adverse information recorded on Mrs A's credit file in relation to this credit agreement. If the hire purchase agreement is ended, then 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 RCI Financial Services Limited trading as Mobilize Financial Services considers that tax should be deducted from the interest element of my award, they should provide Mrs A 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 Mrs A to accept or reject my decision before 10 October 2025.

Mike Kozbial
Ombudsman