

The complaint

Mr P has complained about the quality of a car he bought, in part using his NewDay Ltd credit card.

What happened

In May 2023, Mr P bought a used car. He paid the deposit using his NewDay credit card. Unfortunately, in May 2024, the car broke down as the timing chain snapped, leading to an engine fault. Mr P contacted NewDay to make a claim under section 75 of the Consumer Credit Act 1974. However, NewDay rejected this, and suggested that Mr P contact the manufacturer directly.

Unhappy with this, Mr P brought a complaint to our service. He also provided an independent report, which stated:

“In the absence of any driver error or abuse this in conjunction with the fact that the timing chain appears to have fractured at just over 46,000 miles would lead us to conclusion that the timing chain has fractured prematurely, the manufacturer is aware of the particular model of vehicles vulnerabilities such as premature timing chain failure leading us to conclude that the manufacturer’s representative should be contacted to ascertain if there is a good will payment available.”

Based on this, our investigator was satisfied that the car wasn’t of satisfactory quality at the point of supply, as it wasn’t sufficiently durable. So, she recommended that NewDay pay for the repairs.

NewDay disagreed. It considered that if it’s a known fault with this type of car, it should be taken up with the manufacturer. The complaint was then passed to me. I issued a provisional decision, which said the below.

It’s not in dispute that the car was not sufficiently durable. The issue is whether NewDay should be responsible for this. And, under section 75, it is responsible for quality issues. There is nothing to stop this applying in cases where the manufacturer of the goods may be aware of a known issue (although I make no comment on this here). Whether NewDay then wishes to contact the manufacturer to try to recoup its costs, is a matter for NewDay. But this is not Mr P’s responsibility.

So, what should be done to put things right? It’s clear that one remedy is repair. However, I understand this could cost in the region of £12,000. Accordingly, I think it may be unfair to require this, and it may be better for the agreement to end, and the car be returned. I’d be grateful if both Mr P and NewDay would let me know their thoughts on this. However, in either circumstance, Mr P’s repayments should be refunded for the time he’s been without the car. He also paid for a report to support his position, and I’m satisfied NewDay should fairly meet this cost.

Further, I don't think NewDay has given Mr P the support it should have. This resulted in trouble and upset, and I think £200 compensation is fair to address this aspect of the complaint.

To put things right, I was minded to require NewDay Ltd to:

1. (a) arrange and pay for the repairs to be carried out, at no cost to Mr P;

or

(b) collect the car at no cost to Mr P, and cancel the agreement, with nothing further for Mr P to pay, and mark the agreement as settled on his credit file;

and

2. refund Mr P's monthly repayments in full, from the date the car broke down, to the date the repairs are completed, or to the date the agreement is cancelled, adding 8% simple interest a year, from the date each repayment was made, to the date of settlement;

3. pay Mr P for the independent report, adding 8% simple interest a year, from the date of the report, to the date of settlement; and

4. pay Mr P £200 for the trouble and upset caused.

Mr P responded to ask whether any decision would be made by me, or whether he could elect a remedy between the two options I'd proposed. He noted that if he chose to have the car repaired, my proposed award didn't account for the loss of use he's experienced. He also thought it would cause a depreciation in the value of the car if it were repaired.

As regards my alternative proposal, that Mr P have his deposit refunded, and monthly repayments from when the car broke down, he explained there were no ongoing monthly repayments or outstanding finance, as he paid for the car in full. This was by way of his credit card for the deposit, and cash.

Mr P also asked about vehicle recovery costs of £100, inspection report costs of £108, and hire car costs of £375.31.

NewDay responded to say this should be a case of 'buyer beware', and Mr P should take it up with the manufacturer. Also, the dealership hadn't sold Mr P a faulty car, given he'd been able to use it for some time. It also said that the manufacturer had told there aren't intervals for changing the timing chain, but they are not guaranteed to last and may fail.

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.

I've first considered NewDay's response. However, I've already addressed the issues it raised. I'm satisfied the car wasn't of satisfactory quality, and I've explained why. It wasn't sufficiently durable, given that the timing chain failed prematurely, as per the report's findings. It's not for Mr P to raise this with the manufacturer. Under section 75, NewDay is responsible, as if it were the supplier (i.e. the dealership). And the dealership sold Mr P a car that wasn't of satisfactory quality.

I now turn to Mr P's comments. I accept his point that the car may, potentially, lose some resale value, if it's had to be repaired. And I'm also mindful, as I said before, that the cost of repair is very high. So, I'm persuaded that repair is not a reasonable option, and should be dismissed.

Mr P has explained there's no outstanding finance, and there were no monthly repayments, as he paid for the car upfront in cash (and using his credit card for the deposit). Accordingly, I agree that my proposed remedy that he be refunded monthly repayments from when the car broke down needs to be amended. The starting point is that Mr P be refunded the full cost of the car, which was £17,441. However, I'm mindful he had full use of the car for 12 months. So, I think it fair NewDay be able to deduct a sum for this usage. To come up with a fair figure, I've considered what monthly repayments may have been, had there been a finance agreement. Clearly, this would depend on a number of factors, such as the length of the agreement and the APR. But, a reasonable sum, from my experience, would be around £200 a month. So, NewDay would be able to deduct £2,400 from its award, to represent the 12 months of use Mr P had.

I set out in my provisional decision that Mr P should be refunded for the report costs. That leaves the recovery costs and hire car costs. I agree the recovery costs should be paid, as they're a consequential loss of Mr P being provided with a car of satisfactory quality. But I don't think hire car costs should be refunded. This is because Mr P will be receiving a full refund (less a sum for the period he had the car), so I consider this cost to be absorbed into this refund.

Putting things right

To put things right, I require NewDay to:

1. collect the car at no cost to Mr P;
2. refund Mr P for the full cost of the car, although it is entitled to deduct £2,400 as Mr P had use of the car for a year. To the resulting figure, it must add 8% simple interest a year, from the date Mr P bought the car, to the date of settlement;
3. pay Mr P for the independent report, adding 8% simple interest a year, from the date of the report, to the date of settlement;
4. pay Mr P for the recovery of the car, adding 8% simple interest a year, from the date of the recovery, to the date of settlement; and
5. pay Mr P £200 for the trouble and upset caused.

My final decision

To put things right, I require NewDay Ltd to take the actions set out above, in the section entitled 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 July 2025.

Elspeth Wood
Ombudsman