DRN-5669610

The complaint

Miss M complains that a car acquired under a hire purchase agreement with Toyota Financial Services (UK) PLC ("TFS") wasn't of satisfactory quality when it was supplied to her.

What happened

The parties are familiar with the background of this complaint so I will only summarise what happened briefly here.

In July 2023, Miss M entered in an agreement to acquire a used car from a dealership (S). She paid a small deposit, with the balance of the purchase being provided by TFS under a hire purchase agreement. The car was five years old and had covered approximately 25,000 miles when the agreement started. The agreement was for 60 months with monthly repayments of £319.55, and the cash price of the car was £14,898.

In February 2024, the car broke down. It had covered approximately 51,000 miles at this point. Miss M had it recovered to S. The coolant had been contaminated, and S carried out a flush of the system and replaced the expansion tank. This repair was carried out under warranty.

A month later the car suffered catastrophic engine failure. The head gasket had blown, requiring S to carry out a lot of work to replace the engine. At this time, Miss M also reported that the air vents weren't working properly – the car wasn't emitting any hot air from the vents – and as well as replacing the engine, S also replaced the heater matrix. Again, this work was carried out under warranty. Miss M was without the car for four months while this significant repair was completed.

Having got the car back in June 2024, Miss M told S again that the air vents still weren't working correctly. It went back to S in June and July 2024, having covered approximately 52,400 miles now, and the heater matrix was replaced again. Miss M got the car back in July 2024 but has said she continues to experience problems with the air vents not working intermittently.

In April 2024, while S were dealing with the engine failure, Miss M got in touch with TFS to complain about the quality of the car. She said she'd been without the car for a long time and had to hire a car for a couple of weeks so she could continue to be mobile. She was unhappy with the length of time being taken to repair, and she wanted to reject the car.

TFS didn't respond in time, so Miss M brought her complaint to our service. While our investigator was looking into things, TFS issued their final response to Miss M. They explained that S had refunded four of Miss M's monthly payments to acknowledge she had been without the car for a period of time. TFS also offered Miss M £100 to recognise the inconvenience she'd experienced for having to arrange for the car to be repaired. Our investigator didn't uphold Miss M's complaint. He didn't think there was conclusive evidence to show the car was unsatisfactory when it was supplied to Miss M.

Miss M didn't agree. She said the multiple faults confirmed the car wasn't satisfactory when it was supplied to her.

As Miss M didn't agree, the complaint was passed to me to decide. I issued a provisional decision on 24 June 2025. It said:

'I've considered all the available evidence and information to decide what's fair and reasonable in the circumstances of this complaint.

Both parties have provided a lot of information here. I'd like to reassure them that I've read and considered everything that's been sent, although I haven't commented on it all within this decision. I will be focussing on what I consider to be the key points of this complaint.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations, relevant regulatory rules, guidance and standards and codes of practice.

As the hire purchase agreement entered by Miss M is a regulated consumer credit agreement this service is able to consider complaints relating to it. TFS are also the supplier of the goods under this type of agreement and are responsible for a complaint about their quality.

The Consumer Rights Act 2015 (CRA) covers agreements like the one Miss M entered. Because TFS supplied the car under a hire purchase agreement, there's an implied term that it is of satisfactory quality at the point of supply. Cars are of satisfactory quality if they are of a standard that a reasonable person would find acceptable, taking into account factors such as – amongst other things – the age and mileage of the car and the price paid.

The CRA also says that the quality of goods includes their general state and condition, and other things like their fitness for purpose, appearance and finish, freedom from minor defects and safety can be aspects of the quality of the goods.

Satisfactory quality also covers durability. For cars, this means the components must last a reasonable amount of time. Of course, durability will depend on various factors. In Miss M's case, the car was five years old and had covered approximately 25,000 miles when she acquired it. So, I'd have different expectations of it compared to a brand-new car. Having said that, the car's condition should have met the standard a reasonable person would consider satisfactory, given its age, mileage, and price.

Our investigator has said that he thinks the car was of satisfactory quality when it was supplied to Miss M. I don't agree in this case. There is no doubt the car has faults, the job cards from S confirm that. And I'm more satisfied than not, from what I've seen, that the car wasn't of satisfactory quality when it was supplied to Miss M. I'll explain why.

The CRA explains that where goods are found not to have conformed to the contract within the first six months, it is presumed the goods did not conform to the contract at the point of supply. Unless the supplier, TFS in this case, can prove otherwise.

However, Miss M brought the problems with the car to TFS's attention in April 2024, which is over six months after she'd been supplied with it. So, I need to consider if TFS have done what I'd expect them to have done once they were aware there were problems with the car. As this was outside of six months since she'd been supplied with the car, it was for Miss M to show any faults had been present at the point of supply. And I'm more persuaded than not that she has done this here.

Miss M and TFS have provided all the job cards from S which show the car has been back to S on numerous occasions. And TFS have mentioned in their final response to Miss M that the car had to go back to S for a manufacturing fault in the first instance. I'm satisfied this is an acceptance that the problems first seen with the coolant in February 2024 had been present or developing at the point of supply. And, if TFS didn't agree with this they had the opportunity at this stage to undertake their own investigation into what the faults were, and when they had occurred. The car had covered a lot of miles since Miss M had acquired it – 25,000 between July 2023 and February 2024 – but she had maintained it as expected during that time. She had the car serviced in August 2023 and December 2023, so I'm satisfied the original fault with the coolant being contaminated didn't occur because of a lack of maintenance on Miss M's part.

The CRA allows for one opportunity to repair the car, and I'm more persuaded than not, from the evidence provided, that more than one attempt has taken place here. The car was recovered back to S a month after the initial coolant flush and expansion tank replacement – and at this point Miss M also mentioned the problem with the air vents in the car. My understanding is that coolant issues and contamination can cause problems with the heating components of the car too. And the car was back with S in June and July 2024 as the air vents continued to be a problem, and S have confirmed the heater matrix has been replaced twice since the car has been in Miss M's possession.

I appreciate Miss M didn't bring the faults to TFS's attention until April 2024 and the car was already with S by this time requiring significant engine repair, but I don't think this has prejudiced TFS's position in this case. I'm satisfied they would have recommended Miss M take the car back to S had they been aware of the faults earlier, as S were the supplying dealer and were also providing the warranty and would be able to undertake the repairs. And as the car has had more than one attempt to repair it, I'm more satisfied than not that it wasn't of satisfactory quality when it was supplied to Miss M.

The CRA sets out that (outside the first 30 days) if the car isn't of satisfactory quality, there's been a repair attempt, and the car still doesn't conform to the contract, Miss M should be able to reject it. TFS should take the car back at no cost to Miss M and end the agreement with nothing further for Miss M to pay.

Miss M has continued to use the car. She has confirmed the current mileage at approximately 92,500, meaning she has covered nearly 70,000 miles in it since the agreement started. The hire purchase agreement states that the maximum permitted mileage during the agreement is 50,000 so it's clear Miss M has exceeded that by some margin and is only halfway through the agreement. However, the agreement also states that Miss M will be charged 0p per mile as an Excess Mileage charge – so I can't fairly say Miss M has to pay more towards the agreement than she already has. There appears to be no Excess Mileage clause in the agreement applicable to Miss M. The CRA says that a deduction can be made from any refund to take account of the use the consumer has had of the goods in the period since they were delivered. It doesn't set out how to calculate fair usage and there's no exact formula for me to use. There's not an industry standard mileage figure. That said, I do think it's fair that Miss M pays for the extensive use she's had of the car since being supplied with it, and I'm planning to allow TFS to keep all the monthly payments made by her as well as the small deposit she paid in July 2023 to reflect that use.

Miss M has said that she had to hire a car for a couple of weeks in February 2024 when the car supplied by TFS first went back for repair. But, as S have already reimbursed her for four months payments to reflect the time they had the car for repair, I'm not planning to ask TFS to reimburse Miss M for her hire car costs. Had the car not needed to be repaired, she would have been expected to pay her monthly payments to keep mobile, and I think she's been *fairly compensated for that. I don't think it would be reasonable for Miss M to receive the monthly payments as well as any hire car costs she incurred.*

Similarly, Miss M has mentioned that she had to buy a second car – I can see she did this in February 2024 – but when I consider the mileage of the car at the centre of this complaint I have to assume she has continued to use it regularly since July 2024. She has covered a further 40,000 miles in it. I don't know what Miss M has done with the second car she purchased but as it was her asset she was free to dispose of it once she had the car back from S – but I don't think it would be reasonable to ask TFS to reimburse her for that for much the same reason as above. Miss M was without the car in question for approximately four months, and she has received those payments back. Whilst there isn't an exact formula for fair usage, I'm satisfied this is a reasonable resolution, bearing in mind our service's remit as an informal resolution service.

Miss M has explained the upset she's been caused by having a car of unsatisfactory quality and it's clearly been a difficult time for her. She has had access to alternative transport, but she's had to go out of her way to arrange this herself. She's had several significant faults to deal with, repairs and attempted repairs, and poor service from TFS. She's made more than a reasonable effort to sort things out herself. I've thought about the information on our website about compensation, and I think £300 would be fair for what happened in this case.

I'd remind Miss M that she is free to reject my provisional decision or subsequent final decision if she thinks she can achieve a better outcome by other means, such as the courts.'

Miss M responded and accepted the provisional decision in full.

TFS also responded. They said that the faults were first notified to them after six months of Miss M being supplied with the car. They also said they thought the services carried out on the car in August and December 2023 should have highlighted any faults if they were existing or emerging with the car.

Finally, they said that, if rejection of the car was to go ahead, allowing them just to keep all Miss M's monthly repayments didn't feel fair when compared to the mileage she had covered in the car.

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 see no reason to depart from my provisional decision. I'll explain why.

TFS have said, via the supplying dealership, that the faults with the car were brought to their attention outside of the first six months. I accept that and have explained as much in my provisional decision. I've also explained why, in my opinion, I'm satisfied the car wasn't of satisfactory quality when it was supplied to Miss M. I'm not going to reiterate that within this decision.

Further, TFS have suggested that the services Miss M had carried out in August and December 2023 should have picked up any issues with the coolant if those problems had been existing or emerging since the point of supply. I don't agree with that in this case. I'm satisfied the problems could have been developing without being picked up during a service. Miss M had a responsibility to maintain the car in accordance with the manufacturer's recommendations, and she's done that. My provisional decision explains that the car had to go back to the garage for repair more than once, and for repair to the same fault more than once. In accordance with the CRA, more than one attempt to repair allows for the car to be rejected. I continue to be persuaded this is the most appropriate solution.

TFS have provided an alternative method of calculating fair usage from another dispute resolution scheme, given to them by the supplying dealership. Whilst I thank them for providing this, I don’t think it’s applicable in this case. I am looking at the finance agreement provided by TFS here – and as explained in my provisional decision, there isn’t a provision that allows TFS to charge for any excess mileage included in the agreement. It specifically says that Miss M will be charged 0p per mile above the specified mileage allowance.

The CRA doesn’t set out how to calculate fair usage and there isn’t an exact formula for me to use. There isn’t an industry standard mileage figure. And I can’t direct Miss M to have to pay more than is specified in her finance agreement. So, it follows that TFS can keep all the monthly payments Miss M has made, along with the deposit she paid, to reflect the use she’s had.

TFS have also provided some comment about final inspections that can be made once the car has been returned to them – and that they can make further reductions at that stage for any damages or excessive wear and tear. That will be something for TFS and Miss M to discuss once the car has been collected. As this hasn’t happened yet, I won’t be commenting on it within this decision.

My final decision

For the reasons above, I’m upholding this complaint. Toyota Financial Services (UK) PLC must:

- End the agreement with nothing more for Miss M to pay.
- Arrange to collect the car at no cost to Miss M.
- Pay Miss M £300 to reflect the distress caused to her by being supplied with a car that wasn’t of satisfactory quality.
- Remove any adverse information from Miss M’s credit file in relation to this agreement.

*If Toyota Financial Services (UK) PLC consider that they’re required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss M how much they’ve taken off. They should also give Miss M a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss M to accept or reject my decision before 6 August 2025.

Kevin Parmenter
Ombudsman