

The complaint

Mr R complains about a car supplied to him using a hire purchase agreement taken out with MI Vehicle Finance Limited ("MIVF").

What happened

In February 2023, Mr R acquired a used car using a hire purchase agreement with MIVF. The car was around five years old, the cash price of the car recorded on the agreement was £37,750, the agreement was for 48 months, made up of 47 regular, monthly repayments of £645.67, followed by an optional final payment of £14,986.50, which included an option to purchase fee. The advance payment recorded on the agreement was £5,200. The mileage recorded on the agreement for the car was 36,000 miles.

Mr R said the car broke down in November 2024 and was told the car's engine had seized. Mr R had been quoted over £16,000 for repairs to the car. The car's recorded mileage at the time it broke down was 49,375 miles.

Mr R complained to MIVF in November 2024 as he didn't expect the car's engine to have failed, given its age and mileage. Mr R wanted either the cost of repairs to be covered or for the car to be returned and the agreement he held with MIVF to be terminated, with no detriment to himself.

Mr R referred his complaint to our service in January 2025 as he didn't receive a final response from MIVF within eight weeks.

MIVF informed our service that Mr R settled the finance agreement with them in February 2025. Mr R explained that he required a car to allow him to work and to support his children get to school everyday. Mr R said he had no choice but to settle the agreement and buy another car as MIVF were taking too long to provide their final response. Mr R said he had to put significant savings which were put aside for his wedding towards settling the agreement and acquiring another car. Mr R said this caused him significant distress as he has had to postpone his wedding.

Our investigator upheld Mr R's complaint. Our investigator thought the engine failed prematurely and the car wasn't reasonably durable. Our investigator thought Mr R should be able to reject the car, meaning MIVF should effectively unwind the agreement and refund Mr R the amount he paid to settle the agreement (£25,656.73), along with the advance payment he made towards the agreement (£5,200). And from that amount MIVF needed to refund Mr R, our investigator thought MIVF could deduct the amount Mr R sold the car for (£11,000), as he thought this is the likely amount MIVF could have sold the car for, had they recovered it. Our investigator also thought MIVF needed to refund Mr R monthly payments he made towards the agreement from when the car broke down in November 2024 and was undriveable, up until when the agreement ended, as well as pay £350 for the distress and inconvenience caused by this complaint, and reimburse Mr R £60 for a diagnostic test completed on the car.

Mr R accepted the investigator's view. MIVF didn't provide their response as to whether they accepted the investigator's view. So, the complaint was 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.

Having done so, I'm upholding this complaint and I'll explain why below.

I'm aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, if there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Mr R complains about a car supplied to him under a hire purchase agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mr R's complaint about MIVF.

When considering what's fair and reasonable, I take into account relevant law and regulations. The Consumer Rights Act 2015 ("CRA") is relevant to this complaint. The CRA explains under a contract to supply goods, the supplier – MIVF here – has a responsibility to make sure goods are of satisfactory quality. Satisfactory quality is what a reasonable person would expect – taking into account any relevant factors. It's important to point out in this case that the CRA specifically explains that the durability of goods can be considered part of whether they are unsatisfactory quality or not.

I would consider relevant factors here, amongst others, to include the car's age, price, mileage and description. So, it's important to note that the car Mr R acquired was used at around five years old, and had been driven 36,000 miles. I've also noted that the price of the car was not insignificant and cost £37,750. I accept that it is reasonable for a used car of this age and mileage to show signs of wear and tear and this will be reflected in the price of the used car, when compared to how much it would have cost new.

What I need to consider is whether the car was of satisfactory quality when it was supplied. And in order to do that, I first need to consider whether the car developed a fault.

Had the car developed a fault?

Mr R says the car broke down in November 2024. He has provided an invoice from a third-party garage which shows that a diagnostic was completed on the car to determine a fault with it at 49,375 miles. The notes on the invoice said:

"Vehicle recovered into garage, checked over, intake system full of oil and engine empty of oil, engine seized, requires new engine and turbo's."

The same garage later in the month, and with the car at the same recorded mileage, provided further notes which said:

"Regarding this vehicle, it was recovered into the garage as breakdown, after checking the vehicle, we noticed the intake system was full of oil and engine empty of oil, engine seized, requires new engine and turbo's. We are unable to show evidence /photo unless we get authorised from customer to strip the engine down at a [sic] additional cost..."

On balance, and considering the above and the notes supplied by the third-party garage, I think it is likely there was a fault with the car, and specifically to its engine and turbo.

Was the car of satisfactory quality at the point of supply?

MIVF is responsible for the quality of the car at the time it is supplied and is not responsible for any more general maintenance costs or issues considered to be fair wear and tear. The failure of an engine is not in my view a fair wear and tear issue, as it is quite obviously a key component in the car that should be expected to last the lifetime of the car.

I accept that an engine requires servicing, but Mr R has shown that it was regularly serviced and I'm mindful that Mr R has only travelled approximately an additional 13,500 miles in the car before the engine failed. I do not consider the engine failure is therefore caused by any servicing failures on Mr R's part.

After concluding the car is defective, the next consideration is around whether, when considering the broader circumstances, the car was or was not of satisfactory quality when considering the CRA. One element of satisfactory quality refers to durability and the expectation here is that goods will last for a reasonable amount of time. As referred to above, the car's engine is a key component that should be expected to last the lifetime of the car. Exactly what the lifetime of a car is, will vary depending on a variety of things and it is difficult to put an exact expectation that would be applicable in every case. In this case the engine failed and required replacement at around 50,000 miles and I think that a reasonable person would consider this to be a premature failure. And because of this I am satisfied that when considering the requirements of the CRA around durability, the car was not sufficiently durable. And consequently, the car was not of satisfactory quality when supplied to Mr R.

Remedies under the CRA

I've gone on to think carefully about the remedies available to Mr R under the CRA. I've also thought carefully about the time that has elapsed, and the opportunity MIVF had to resolve any issues with the car.

I'm also mindful that Mr R has now sold the car and settled the agreement he held with MIVF. Mr R explained that due to the time it was taking MIVF to consider their position on this complaint, he was without a driveable car. So, I don't think his actions here were unreasonable, considering he says he needed to settle the agreement and stop making regular monthly repayments towards it, to free up funds to acquire another car and keep him mobile.

On the other hand, MIVF said that Mr R has further complicated matters by selling the car as they have been unable to determine a true cause of failure to the car. I have noted that MIVF asked Mr R to obtain further evidence of the faults with the car.

I don't consider a further inspection of the car to have been necessary. It is clear the engine had failed and, in my view, prematurely. Any inspection or further analysis would have needed to likely remove and/or strip the engine to gain access to the internal engine components. This would have been costly and taken further time and was likely to tell us nothing that was not already known. i.e. the engine had failed prematurely. I'm also mindful that MIVF could have chosen to have the car inspected at their own expense if they didn't think the information Mr R supplied was sufficient.

Where a car is found to be of unsatisfactory quality, the supplier of the car has an opportunity to repair the fault. Mr R initially complained to MIVF and asked for the car to be

repaired. This would have been reasonable in my view for MIVF to have done so when Mr R first complained to them. But, this remedy under the CRA is no longer applicable as the car has now been sold. Additionally, the CRA explains that the supplier can have the opportunity to repair the car if it does so within a reasonable amount of time and without significant inconvenience to the consumer.

So, when considering the point above, I'm also mindful of the time MIVF had, to put things right when Mr R complained to them. Frustrated with waiting for an answer from MIVF, Mr R referred his complaint to our service. Given the circumstances here, and how long things were taking, and the significant inconvenience Mr R experienced due to the fault with the car and not being kept mobile, I think it is fair that Mr R should be able to reject the car. I say this because, had the car still been available, I think in the circumstances this is the conclusion I would have likely reached and thought was fair and reasonable, rather than allow MIVF the opportunity to repair it and lead to further delays for Mr R. This would mean that MIVF should effectively unwind the agreement and reimburse Mr R the amount he paid to settle the agreement, along with the deposit amount he paid.

Had MIVF accepted rejection of the car earlier, they would have recovered their asset. Normally, in circumstances like these, the car is then sold on so that MIVF could offset the proceeds from the sale against what was owed under the agreement. Mr R has provided an invoice to show he sold the car for £11,000. While I can't be sure what MIVF would have sold the car for had they recovered it, pragmatically speaking, I think it is likely they would have received a similar amount. So, in the circumstances, I think it is fair that MIVF can deduct £11,000 from the amount they need to reimburse Mr R as this would have been around the amount they would have been able to obtain from selling the car.

Other costs

I'm also mindful in this instance that Mr R continued to make payments towards the agreement while the car was undriveable. Considering the car was supplied of unsatisfactory quality, I think it is fair that Mr R is reimbursed any monthly repayments he made towards the car while it was undriveable and unused. As the car was diagnosed on 25 November 2024, I think it is fair to use this date from which to calculate the pro rata amount Mr R should be refunded.

Mr R has paid £60 on 25 November 2024 for the cost of diagnosing the car. So it follows that it would be fair and reasonable for MIVF to also reimburse this cost to Mr R.

Distress and inconvenience

Mr R has explained in some detail the impact this complaint has had on him. Mr R has explained that he has a family and children of various ages, which all were placed at different schools. Not having a driveable car, or being kept mobile caused inconvenience to him and also made it challenging for him to commute to work.

Mr R has said that he had to dip into savings, which were ringfenced for an upcoming wedding, which he says had to be postponed. I'm also mindful of MIVF's comments to our service where they said:

"We don't understand the customers reasoning behind settling the finance... all that was required of him was the maintenance of his monthly payment until a decision had been made."

I don't think MIVF fully appreciate Mr R's circumstances here. Mr R was paying monthly towards an agreement (which wasn't an insignificant amount on a monthly basis), when a

car was no longer driveable. This meant that if Mr R needed to stay mobile, he would have needed to find additional funds to hire/acquire another car, all whilst continuing to pay monthly towards this agreement until MIVF made a decision. Mr R gave MIVF until February 2025 to reach a resolution, but MIVF hadn't provided one, despite Mr R continuing to liaise with them. Given the circumstances, I think it is fair for MIVF to pay Mr R £350 for the distress and inconvenience caused by this complaint.

My final decision

For the reasons I've explained, I uphold this complaint and I instruct MI Vehicle Finance Limited to put things right by doing the following:

- End the agreement and record it as so from November 2024 (if this has not been done already), ensuring Mr R is not liable for monthly repayments once the agreement ends (it should refund any overpayment for these if applicable). *
- Reimburse Mr R a pro rata of his monthly repayments made towards the agreement from when the car broke down and was diagnosed on 25 November 2024 to when the agreement ends. *
- Refund Mr R's advance payment towards the agreement of £5,200. If any part of this advance payment was made up of funds through a dealer contribution, then MIVF don't need to refund this amount. *
- Reimburse Mr R the amount he paid to settle the agreement in February 2025, less £11,000. So, £14,656.73. *
- Reimburse Mr R £60 for the diagnostic test completed on the car on 25 November 2024. *
- Pay Mr R £350 to reflect the distress and inconvenience caused.
- Remove any adverse information from Mr R's credit file from November 2024 onwards, in relation to the agreement, if any.

* These amounts should have 8% simple yearly interest added from the time of payment to the time of reimbursement. If MIVF considers that it's required by HM Revenue & Customs to withhold income tax from the interest, it should tell Mr R how much it's taken off. It should also give Mr R a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue and 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 16 September 2025.

Ronesh Amin
Ombudsman