

The complaint

Miss S complains that a car supplied to her by Specialist Motor Finance Limited (SMF) under a hire purchase agreement was of an unsatisfactory quality.

What happened

I issued a provisional decision setting out what I thought about Miss S' complaint. I've copied the relevant parts of that provisional decision below – and they form part of this final decision.

"In January 2023, Miss S was supplied with a used car through a hire purchase agreement with SMF. The cash price of the car was £5,995. She paid a deposit of £599.50 and the total amount of credit under the agreement was £5,395.50 over 60 months; with 59 monthly payments of £157.85 and a final payment of £167.85. At the time of supply, the car was around seven years old and had covered around 55,000 miles.

Soon after the car was supplied, Miss S reported that the clutch was slipping and she was having trouble shifting gears. She made a complaint, and said the car wasn't of satisfactory quality. An engineer inspection was arranged in February 2023. The engineer concluded that the clutch was slipping due to a fault caused by wear and deterioration over time. They said the fault would have been developing at the point of supply, and recommended replacing the clutch components. SMF agreed Miss S could arrange repairs at a garage of her choosing at the dealership's cost.

A repair was arranged and the car was returned to Miss S in March 2023. Miss S said she couldn't use the car at all until when it was returned to her following the repair because it wasn't safe, and that it was towed to the garage at her own cost.

A week after the car was returned, Miss S says she started to experience further problems and corresponded with her broker about these issues. The following works were arranged between March and July 2023:

- March and April 2023 – Diagnostics and repairs after the car went into limp mode with an illuminated engine management light*
- June 2023 – Clutch repairs (clutch unit bled)*
- July 2023 – Clutch cylinder replacement*

Miss S got back in touch with SMF in September 2024 and made a further complaint. She said she was once again experiencing problems with the clutch, and that it was pushing down with no resistance and would stay fully depressed. She said she was no longer driving the car as she didn't think it was safe. SMF agreed to arrange a further engineer inspection, which was carried out in November 2024. The engineer concluded that there was a fault with the concentric clutch cylinder, as it showed little resistance when depressed. They said the clutch and its associated components should be replaced. They noted that Miss S had been in possession of the car for nearly two years and had covered more than 10,000 miles – so concluded that the fault was most likely not present at the point of sale, and that it was caused by general wear and tear.

SMF didn't respond to Miss S' complaint – and she referred it to the Financial Ombudsman Service (Financial Ombudsman). One of our Investigators considered the complaint and upheld it. They were satisfied based on the engineer's report that the fault was present at the point of supply, and that the problem was still ongoing despite multiple attempts to repair it. The Investigator noted that although the engineer didn't think the fault was present at the point of supply, the issue seemed to be the same as the one identified in February 2023 – so concluded on balance that there was an underlying issue that hadn't been repaired despite several attempts to do so. They didn't think the car was of satisfactory quality when it was supplied to Miss S, so said she was entitled to reject it under the Consumer Rights Act 2015 (CRA).

The Investigator also recommended that SMF pay Miss S £200 to recognise the distress and inconvenience caused, and that it refund the payments she had made from 29 November 2024 onwards. They didn't think there was enough evidence to show that Miss S had stopped using the car before that date, or that she'd incurred the costs that she'd described – so didn't recommend that SMF refund her payments before November 2024, or her other costs.

SMF accepted the Investigator's recommendations, but Miss S didn't. She didn't think it was fair that she'd had to make payments towards the agreement when the car was unsafe to drive. She said she'd been left significantly out of pocket through no fault of her own, and didn't think all of the costs she'd incurred had been fully accounted for. She also didn't think the compensation award went far enough to recognise the impact the situation had on her. She asked for the complaint to be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

Miss S' original complaint – about SMF's actions up until 22 February 2023 – has been dealt with separately by this service. In this decision, I've considered what's happened since that date including the costs Miss S says she's incurred.

What I've provisionally 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.

Miss S has provided a significant amount of information and correspondence. In my decision, I'll focus on what I consider to be the key points of the complaint. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is a fair outcome – and isn't intended as a discourtesy to either party. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is more likely than not to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Miss S was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we can investigate complaints about it.

The CRA covers agreements such as the one Miss S 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.

So, if I thought the car was faulty when Miss S took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask SMF to put this right.

The car supplied to Miss S was around seven years old, had covered over 55,500 miles and had a cash price of less than £6,000. I think it's reasonable to expect a car of this age and cost to have considerably more wear and tear than a newer or more expensive one. And it's likely a car of that age will require some level of repair and maintenance much sooner than a new one would.

In this instance, SMF accepted our Investigator's view that the car wasn't of satisfactory quality when it was supplied to Miss S. It's agreed on that basis that Miss S has the right to reject the car. So, I'm satisfied I don't need to consider the merits of this issue in detail – but for completeness I'll comment on it.

It's not in dispute that there was a fault with the clutch when the car was supplied to Miss S – which was repaired shortly after. The inspection carried out nearly two years later identified the same problem with the clutch. Although the inspector didn't conclude that the problem was present at the point of supply, I'm not persuaded that this means the car was of satisfactory quality. This is because the issue was the same as the one previously identified and accepted by SMF. The clutch components were replaced at that time – and further repairs were carried out by Miss S in July 2023. I don't think it's likely that those components would have failed again by September 2024 unless there was an underlying fault. I think it's more likely that the original underlying fault with the clutch hadn't been resolved by the previous repairs.

The CRA says a business should be given a single chance to repair a faulty car – where issues were reported after more than 30 days. Where a fault that makes the car of unsatisfactory quality is reported within 30 days, the customer has the right to reject it. In this case, the clutch fault was originally reported within 30 days of supply. It was Miss S' preference at the time for the car to be repaired – so I don't think it's unreasonable that a repair was carried out. But I think the inspection carried out in November 2024 suggests that the repair – and the subsequent repairs arranged by Miss S - had failed.

Taking into account all of the circumstances – including the age and mileage of the car – I'm satisfied it wasn't of satisfactory quality when it was supplied to Miss S. The clutch is a key component of the car, and I don't think a reasonable person would expect it to have a fault almost immediately after the car was supplied. Nor do I think a reasonable person would expect the problem to re-occur just over a year after being repaired. So, I'm satisfied Miss S was entitled to reject the car.

Putting things right

For the reasons I've explained, Miss S is entitled to reject the car. This means SMF should arrange to collect the car and end the agreement with nothing further for her to pay. It should also refund the deposit paid by Miss S at the point of supply.

I've considered whether SMF should refund any of the payments Miss S has made. She's asked that SMF refund her for the time she wasn't able to use the car. The period up to 22 February 2023 has been addressed in Miss S' previous complaint – so I've only considered

her use of the car from 23 February 2023 onwards. Miss S wasn't able to use the car from that date until 1 March 2023 when it was returned to her following the repair. I don't think this is unreasonable in the circumstances – as the fault prevented her from being able to reliably change gears, which presented a potential safety concern. So, I think SMF should refund her for the payments made during that period.

Miss S had use of the car from March 2023 to September 2024. So, I think it's only fair that she pay for that usage and I won't be asking SMF to refund the payments that she made during that time. Miss S says she had other problems with the car between March and July 2023 that affected her use of it – which I've addressed below.

Miss S says she hasn't used the car since 9 September 2024 – as she didn't think it would be safe to do so after the problem with the clutch returned. I don't find this unreasonable – and I can understand why Miss S was concerned about the car's safety for the reasons I've already explained. The mileage taken by the engineer in November 2024 was 66,104 – and was only 2 miles higher when an MOT was carried out in February 2025. So, I'm satisfied Miss S didn't use the car during that time – and I have no reason to doubt that she stopped using the car when the clutch started to fail. So, SMF should reimburse the payments she made from 9 September 2024 up to the end of the agreement.

I understand that since September 2024, Miss S has had the use of another car through an informal arrangement. She says the car she's using has a larger engine so uses more petrol. She's asked SMF to reimburse excess petrol costs as well as the cost of public transport when she hasn't had access to the car. But as I'm already directing SMF to refund the payments she made under the agreement, I can't fairly tell it to pay the alternative transport costs she's incurred as well. Although Miss S may be paying more for petrol than she would have done had she been able to use the car supplied by SMF, I haven't seen enough evidence to persuade me that she's incurred an additional cost for this. And if she did, this is related to the car she's chosen to drive and not something I can fairly hold SMF responsible for.

I've also considered the other repair costs Miss S has presented. It appears some of these costs were reimbursed by her broker and dealership, and others were covered under warranty.

Miss S says she paid to have the car towed to the garage when the car was originally repaired. She's provided an invoice demonstrating this, showing that she paid £70 to have the car recovered to a garage in February 2023. As the car couldn't be safely driven, I don't think it's unreasonable that it needed to be towed to the garage. As this was necessary for the repairs to be carried out, I think it's reasonable that SMF reimburse this cost.

Miss S arranged diagnostics and repairs in April 2023 after the car started going into limp mode and a fault was identified with the accelerator position sensor. The total costs of these works – including a courtesy car - was around £600. Based on the information Miss S has provided, it appears the cost of the diagnostics and repairs have already been reimbursed. This left the cost of the courtesy car – £104.16 plus VAT. Miss S says she also purchased a coil pack in connection with these faults at a cost of £140. She's also provided receipts for repairs to the clutch and cylinder carried out in June and July 2023, which came to a total of £728. She says these repairs were necessary due to the original fault with the clutch. I haven't seen any diagnostics or other reports to demonstrate why those repairs were necessary.

I can't see that SMF was made aware of any of the problems Miss S experienced with the car between March 2023 and September 2024. By arranging diagnostics and repairs without informing SMF, I don't think Miss S mitigated her losses. Had SMF been aware, it would

have had the opportunity to arrange its own investigations and repairs. Based on the information she's provided it also appears that some – if not all – of these costs were covered under warranty. So, I don't think SMF needs to reimburse Miss S for these costs. Nor can I reasonably hold SMF responsible for any intermittent loss of use she experienced during that period.

Finally, Miss S says she paid £150 for an MOT in February 2025 – including the cost of towing the car to the test centre. She also paid £35 for road tax. These are costs that Miss S was required to incur while the car was in her possession. But as I've already concluded that she didn't have use of the car, I think it's fair that SMF reimburse these costs.

It's clear that Miss S has been inconvenienced by being supplied with a car that was of unsatisfactory quality. Had this not happened, she wouldn't have had to make alternative transport arrangements or accommodate an engineer visit. I also note that SMF originally arranged an inspection in October 2024 – but the engineer didn't attend, causing further inconvenience. Taking all of the circumstances into account, I think SMF should pay Miss S £200 to recognise the distress and inconvenience caused.

I appreciate Miss S doesn't agree that this amount fairly reflects all of the inconvenience she's incurred, and she's referred to all of the problems she's had with the car since it was originally supplied. Some of what happened has already been considered under Miss S' previous complaint. As I've explained, some of the problems she experienced weren't brought to SMF's attention, and I'm satisfied she was able to use the car with minimal disruption for most of the time it's been in her possession. Taking all of the circumstances into account, I'm satisfied £200 is a fair reflection of the impact the situation has had on Miss S."

Responses to my provisional decision

SMF didn't respond to my provisional decision. Miss S responded to my provisional decision with some further comments. In summary, she said:

- She experienced a series of faults with the car after it was returned to her in March 2023, which she's evidenced through photos and diagnostic reports.
- The coil pack replacement was confirmed as necessary by three separate diagnostics, so the cost of purchasing it should be reimbursed.
- The clutch repairs were fully documented and approved by her broker and warranty provider.
- She was previously told by SMF that all contact going forward should be with her broker, which is why she didn't contact it directly about the additional faults.
- SMF was in communication with the broker, so ought to have been aware of what was happening.
- SMF said in some correspondence that it would contact her by email or phone, but that didn't happen - reinforcing her belief that all contact was to be through the broker.
- SMF was in contact with the broker so ought to have been aware of what was happening.
- In July 2023 the car's mileage was around 57,500 miles, which demonstrates she only used it intermittently during that period.
- SMF was made aware of the repairs and full timeline of events during the course of

her previous complaint with this service.

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'd like to thank Miss S for her submissions in response to my provisional decision, which I've carefully considered. As was the case in my provisional decision, I've focussed here on what I consider to be the key points.

To be clear, I don't doubt that Miss S had problems with the car after it was returned to her following the initial repairs. But for me to require SMF to reimburse her costs as she's requested, I'd need to be satisfied the costs were incurred because of the car not being of satisfactory quality when it was supplied – or otherwise due to an error made by SMF. In reaching my provisional decision I also considered whether Miss S took steps to mitigate her losses, and whether SMF had a reasonable opportunity to put things right without the need for Miss S to incur additional costs.

Miss S says she recalls that in January 2023 she was told by SMF that all contact needed to be through her broker. She's provided her own notes from the time of the call, which say SMF can only deal with the broker speaking on her behalf. SMF's notes from the time suggest it was aware that Miss S was dealing with the broker directly – although this appears to specifically be in reference to the initial clutch fault that was being repaired, rather than any subsequent issues.

Taking everything into account, I'm not persuaded – on the balance of probabilities - that Miss S was told not to contact SMF about any issues she had with the car after the initial clutch fault, or that she was otherwise prevented from doing so. While there appears to have been some correspondence between Miss S and the broker, this appears to relate to Miss S' complaint and took place after the repairs had been carried out. I also note that Miss S contacted SMF directly when the clutch problem reoccurred in September 2024 – so it appears she was aware that this was an option for her. Taking all of the correspondence into account, I'm satisfied that by the time SMF was made aware of the further issues Miss S experienced, the car had already been repaired.

Regarding the coil pack replacement, Miss S referred to the diagnostic reports – which I considered when reaching my provisional decision. Although the diagnostic reports refer to a problem with the accelerator position sensor, they don't specify that a new coil pack was required or why it was needed. Even if Miss S was told she needed to purchase a replacement coil pack, I can't see that SMF was given the opportunity to inspect or repair the car before she did this.

With regards to the clutch repairs carried out in June and July 2023, I don't dispute that these were carried out with the approval of Miss S' broker and warranty provider. But this doesn't demonstrate why the repairs were needed or that they were related to the original fault. And for the reasons I've explained, I don't think the broker being aware of the repairs means SMF was given a fair opportunity to rectify the problem.

I've considered Miss S' comments regarding the usage of the car. She says that in July 2023 the mileage was only 57,468 – around 2,000 miles higher than it was at the point of supply. While I don't doubt Miss S when she says she only used the car intermittently between March and July 2023, for the reasons I've explained I can't fairly agree that SMF should reimburse her payments during that time. I haven't seen evidence to persuade me that Miss S had limited use of the car between March and July 2023 because of a fault that meant it

wasn't of satisfactory quality – or otherwise due to an error made by SMF. Even if she didn't use the car a significant amount, I'm satisfied she did use it – as she was able to drive more than 2,000 miles in that time.

While I've considered Miss S' further submissions I haven't seen anything to persuade me to depart from the conclusions outlined in my provisional decision. So, my decision remains the same – for the same reasons.

Putting things right

For the reasons I've explained, I require SMF to:

- End the agreement, ensuring Miss S is not liable for payments after the point of collection, and take the car back without charging for the collection;
- Remove any adverse entries relating to this agreement from Miss S' credit file;
- Refund the £599.50 deposit Miss S paid;
- Refund the payments Miss S made for her use of the car from 23 February 2023 to 1 March 2023, and from 9 September 2024 until the agreement is ended;
- Refund the amount Miss S paid for the car to be towed in February 2023 (£70);
- Refund the cost of the road tax, MOT and towing service arranged by Miss S in February 2025 (£185);
- Apply 8% simple interest per annum on the above refunded amounts, calculated from the date Miss S made the payments to the date of settlement[†]; and
- Pay Miss S an additional £200 to compensate her for the distress and inconvenience caused by being supplied with a car that wasn't of satisfactory quality.

[†]If SMF considers that tax should be deducted from the interest element of my award, it should provide Miss S with a certificate showing how much it has taken off so she can reclaim that amount, if she is eligible to do so.

My final decision

My final decision is that I uphold Miss S' complaint. I require Specialist Motor Finance Limited to carry out the directions outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 September 2025.

Stephen Billings
Ombudsman