

The complaint

Mr M is unhappy that a car supplied to him under a hire purchase agreement with CA Auto Finance UK Ltd ("CAAF") was of an unsatisfactory quality.

When I refer to what Mr M said and what CAAF said, it should also be taken to include things said on their behalf.

What happened

On 7 February 2024, Mr M was supplied with a used car through a hire purchase agreement with CAAF. The cash price of the car was £14,995. He paid an advance payment of £4,900 and the credit agreement was for £11,950.48 over 36 months, with 35 payments of £331.68 and final payment of £341.68 including an option to purchase fee. At the time of supply, the car was eight years old and had done around 80,000 miles.

Mr M said he experienced problems with the car and took it back to the dealership within the first week or so of supply. He said the dealership gave him a courtesy car for the period of repair, which was about a week.

On 1 August 2024, Mr M arranged for the car to go back to the dealership again. He said that on this occasion the turbo had blown and caused damage to the engine. Mr M said the dealership didn't provide him with a courtesy car and he didn't get his back until 28 September. He said the car engine was still not fixed properly.

Mr M complained to CAAF because the car was faulty and he wanted to reject it. On 1 October, CAAF issued a final response to say that the dealership had a right to repair, and it would need to be assessed for a further fault before Mr M could reject the car. CAAF said it would arrange a diagnostic assessment of the car and, therefore, it considered the matter had been resolved.

Mr M didn't agree, so he brought his complaint to us.

Our investigator upheld Mr M's complaint. Matters had moved on since CAAF issued its final decision, and Mr M had traded the car in with the same dealership. The exact nature of the new agreement, which was with another finance company, was unclear. And CAAF didn't respond to our investigator's requests for comment beyond saying the agreement had been cancelled and the car handed back. As this differed to Mr M's recollection of events, our investigator based his opinion on the limited evidence available.

Our investigator said that given the car was not of satisfactory quality, Mr M ought to have been allowed to reject the car which would've meant he'd get back his deposit, plus interest, and the agreement should've ended. Therefore, our investigator thought CAAF ought to:

- Refund the finance payments covering the period 1 August 2024 to 28 September 2024 along with 8% simple interest, which was to cover the period the car was in for repair when Mr M wasn't supplied with a courtesy car.

- Refund the difference between what Mr M would've received if he'd rejected the car and what he did receive once the finance was settled. The exact figures had not been made available, so it would've been up to CAAF to calculate the refund due to Mr M.
- Pay Mr M £250 for supplying him with a car that had problems and which had caused him distress and inconvenience.

Mr M agreed with our investigator's view. CAAF didn't respond, despite several reminders.

I issued a provisional decision in August 2025 in which I explained my intention to uphold Mr M's complaint. Here's what I said:

Provisional decision

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr M 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 Mr M 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 CAAF to put this right.

Undisputed Fault

There seems to be no dispute that there was a problem with the car, or that this fault was present when the car was supplied to Mr M. There was a repair within the first few weeks, followed by a significant repair in August and September. And even after that repair, Mr M said the car remained faulty. CAAF has not said that the car was of satisfactory quality, and it didn't object to our investigator's view that the car was not of satisfactory quality. So I see no reason to doubt Mr M's recollection of events. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think CAAF should do to put things right.

Single Chance at Repair

Section 24(5) of the CRA says "a consumer who has ... the right to reject may only exercise [this] and may only do so in one of these situations – (a) after one repair or replacement, the goods do not conform to contract." This is known as the single chance of repair. And this applies to all issues with the goods, and to all repairs. That is, it's not a single chance of repair for the dealership and a single chance of repair for CAAF – the first attempted repair is the single chance at repair. What's more, if a different fault arises after a previous repair, even if those faults aren't related, the single chance of repair has already happened – it's not a single chance of repair per fault.

The CRA is clear that, if the single chance at repair fails, as was the case here, then the customer has the right of rejection. However, this doesn't mean that the customer is required to reject the car, and they can agree an alternative remedy, such as further

repairs to the car. In this case, Mr M agreed to further repairs in August. But that didn't mean he lost his right to reject the car when, on collection, the car was found to be faulty.

Putting things right

Because the car was still faulty, and Mr M asked to reject it, CAAF ought to have cancelled the agreement with nothing further for Mr M to pay; refunded his payments less a reasonable amount for usage, and refunded his deposit with interest.

Mr M was able to use the car while it was in his possession. And for the first repair, he was also provided with a courtesy car to keep him mobile. Because of this, I think it's only fair that he pays for this usage. So, I won't be asking CAAF to refund any of the payments Mr M made up to 1 August 2024.

Payment Refund

However, the car was off the road and in for repair from 1 August to 28 September. During this period, Mr M did not have use of a courtesy car, although he maintained his monthly finance payments. As such, he was paying for goods he was unable to use. For the reasons already stated, I'm satisfied the car was off the road due to it being of an unsatisfactory quality when it was supplied. And, as CAAF failed to keep Mr M mobile, I'm satisfied it should refund the payments he made during this period, plus interest.

Ending the finance agreement

Given the car wasn't of satisfactory quality, and rejection was a reasonable next step, Mr M should've received a refund of his deposit plus 8% simple interest. The agreement should have ended and CAAF should've taken back the car. I understand Mr M traded in his car and the dealership paid him the value of the car less wear and tear, and less 45 pence per mile for the mileage he'd done when he had use of the car. Mr M said that was around 3,500 miles. He said he used the remaining money to pay off the finance and place a small deposit on a different car.

Neither Mr M nor CAAF have been clear on exactly how the financial side of this trade-in happened. CAAF said the agreement was cancelled and the car taken back. Mr M's account of events does not reflect anything quite so straightforward; he's unsure whether the deposit was refunded as part of the trade-in, and it's not clear whether his position was worse than if CAAF had arranged the rejection.

To determine whether the agreement was cancelled or settled as part of a trade-in, I asked Mr M for further evidence. He provided a confirmation letter sent by CAAF on 12 October 2024 which said the finance agreement had been settled in full. Mr M also provided a copy of the sales invoice showing that he'd traded in his car for a different one with the same dealership. Based on the evidence, then, I'm satisfied that the agreement was settled rather than cancelled, and the car was traded in rather than handed back as part of a rejection.

Turning to the finance figures shown on the sales invoice, it appears that the cash price of Mr M's next car was £8,695. He was given a part-exchange amount of £11,650, of which £8,598 was used to settle his finance with CAAF. The sum seems broadly in line with what would be left to pay after taking into consideration Mr M's monthly payments. The remaining balance of £5,643 was paid through a new finance

agreement. I haven't seen anything in these figures to suggest that Mr M's original deposit was accounted for.

It's not within my remit to address any further matters which arose after the date of CAAF's final response letter, and the trade-in happened after that date. So I haven't considered whether any mileage charge, or any wear and tear charges that may have been applied are fair and reasonable given that Mr M paid for the months he used the car. CAAF may wish to take this into consideration when it calculates any refund due to Mr M. However, the evidence I now have suggests it's unlikely Mr M's deposit was returned to him.

As it stands, I think that CAAF should ensure Mr M's deposit is refunded to him in line with the CRA, if it hasn't already, and pay 8% simple interest from the date he paid until the date the refund is processed.

Compensation

It's clear that Mr M has been inconvenienced and distressed by the faults, the car needing to go in for repairs, and for feeling it necessary to trade in the car in order to remain mobile. Mr M would not have had to do this had CAAF supplied him with a car that was of a satisfactory quality. So, I think CAAF should pay him £250 in compensation to reflect the distress and inconvenience caused.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Responses

- Mr M accepted my provisional decision, but he expressed concern that CAAF might not complete the required actions.
- CAAF didn't respond.

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.

As CAAF hasn't responded, I'm taking that to mean it doesn't object to my provisional decision. And, having looked at the evidence and circumstances again, I'm satisfied that the outcome I set out in my provisional decision is fair and reasonable.

I understand Mr M is doubtful that CAAF will complete the actions I require. The Financial Conduct Authority says a business must comply promptly with any award or direction made by an ombudsman. If the business fails to comply, the direction can be enforced through the court, but that must be done by the complainant – in this case, Mr M.

My final decision

For the reasons explained above, and in my provisional decision, my final decision is that I uphold Mr M's complaint and CA Auto Finance UK Ltd must:

- refund the £4,900 deposit that Mr M paid (if any part of this deposit is made up of funds paid through a dealer contribution, or can be evidenced as part of the current

finance agreement, CA Auto Finance UK Ltd is entitled to retain that proportion of the deposit);

- refund the payments covering the period 1 August 2024 to 28 September 2024 when Mr M was without use of the car;
- apply 8% simple yearly interest on the refunds, calculated from the date Mr M made the payment to the date of the refund[†]; and
- pay Mr M £250 to compensate him for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality.

[†]If CA Auto Finance UK Ltd considers that tax should be deducted from the interest element of my award, it should provide Mr M with a certificate showing how much it has taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 September 2025.

Debra Vaughan
Ombudsman