

The complaint

Ms H is unhappy that a car supplied to her under a hire purchase agreement with CA AUTO FINANCE UK LTD (CA) was of unsatisfactory quality.

When I refer to what Ms H or CA have said or done, it should also be taken to include things said or done on their behalf.

What happened

In July 2023, Ms H acquired a used car through a hire purchase agreement with CA. The car was first registered in November 2019 and had travelled around 58,199 miles. The cash price of the car was £10,999 and she paid a deposit of £1,100. The amount of credit was for £9,899 and the duration of the agreement was 60 months; with 59 monthly payments of around £212 and a final payment of around £222.

In October 2023, Ms H reported an issue with the clutch operation to the supplying dealership. No faults were identified, and she says the dealership suggested it was her driving. The issue persisted, as well as a warning light relating to the cleaning of the exhaust pipe, so the car was booked in for a further inspection but again no faults were found.

Ms H took the car to a third-party garage, who resolved the warning light issue with a reset and confirmed the clutch was sticking. Following this, the supplying dealership agreed to repair the clutch. Ms H continued to experience the same problems following repair, so she complained to CA and asked to reject the car.

CA arranged an independent inspection, which found the clutch master cylinder was leaking and required replacing.

CA partially upheld Ms H's complaint. They said the independent report didn't conclude the car was faulty at point of supply, so they wouldn't consider rejection. But the dealership had offered free collection, repair and a courtesy car, which they thought was reasonable. In recognition of the time Ms H was left without her car when the first repair took place, and a follow-up issue developing, they offered to refund one monthly payment and £100 compensation for the distress and inconvenience caused.

Our Investigator reviewed matters and didn't think CA needed to do anymore to put things right for Ms H. They said as the fault with the clutch master cylinder was separate to the issues Ms H experienced with the clutch kit, they didn't consider the repair had failed – so there was no final right to rejection.

Ms H didn't agree. In summary, she said the issues with the clutch started within three months and persisted after the repairs were carried out. Therefore, she considers the problem was with the clutch master cylinder all along, meaning the repair had failed.

As no agreement was reached, the matter was passed to me to decide.

I issued a provisional decision, setting out my intention to uphold this complaint. I said:

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a reasonable outcome is. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

Ms H acquired the car using a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Ms H entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. CA is the supplier of the car and therefore responsible for complaints about its 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. In this case those relevant circumstances include, but are not limited to, the age, mileage and cash price of the car at the point of supply. 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.

In Ms H's case the car was used, with a cash price of £10,999. It had covered around 58,199 miles and was around three and a half years old when she acquired it. So, the car had travelled a notable distance, and it is reasonable to expect there to be some wear to it because of this use. I would have different expectations of it compared to a brand-new car. As with any car, there is an expectation there will be ongoing maintenance and upkeep costs. There are parts that will naturally wear over time, and it is reasonable to expect these to be replaced. And with second-hand cars, it is more likely parts will need to be replaced sooner or be worn faster than with a brand-new car. So, CA wouldn't be responsible for anything that was due to normal wear and tear whilst in Ms H's possession.

However, where it's found that a car was not of a satisfactory quality when it was supplied, it'd be fair and reasonable to ask the finance provider, in this case CA, to put this right.

The CRA sets out that goods which do not conform to the contract at any time within the period of six months, beginning on the day on which the goods were delivered to the consumer, must be taken not to have conformed to it on that day. Therefore, where a fault occurs within this timeframe, it is down to the finance provider to show there isn't a fault which makes the car of unsatisfactory quality.

I've carefully considered the evidence provided by both parties. Having done so, it's clear Ms H has experienced issues with the clutch since the car has been in her possession, and this was first reported around three months after delivery of the goods. While no faults were identified with the clutch by the dealership, an issue was later found by a third-party garage and repairs were attempted, including the replacement of the clutch kit, which I consider to be a significant repair. So, I think there's enough evidence to demonstrate a fault with the car. And although Ms H acquired a used car with notable age and mileage, I don't think a reasonable person would've expected a fault of this nature to occur so soon after acquiring it and having only travelled little mileage. I'm therefore persuaded it's more likely than not the clutch fault was present or developing when Ms H acquired the car and that fault meant the car wasn't sufficiently durable – meaning there was a breach of contract.

Outside of the first 30 days of the agreement, during which a consumer has a short term right to reject, the CRA says a consumer has a right to reject if the goods do not conform to contract after one repair or replacement. The CRA is clear that, if the single chance at repair fails, then the customer has the right of rejection. It also says where a consumer requires the trader to repair or replace the goods, this must be done within a reasonable time and without significant inconvenience.

Repairs were carried out here at no cost to Ms H and she says she was kept mobile with a courtesy car. However, this didn't happen until March 2024, around five months after Ms H reported the issue. Ms H gave the dealership ample opportunity to resolve the issue, and I think more could've been done by the dealership to identify the fault much sooner.

Ms H reported persisting and worsening issues with the clutch following repair, which she says were the same symptoms she was experiencing prior to the clutch kit being replaced. The dealership again were unable to identify a fault, but an independent engineer noted that after only a short road test they found the clutch bite point to be very low and the car was stuck in gear – as Ms H had described. The independent report concluded a leaking clutch master cylinder required replacement to resolve this issue, and they considered this to be the original underlying issue with the clutch.

I've considered all the evidence available here, including Ms H's description of the issues she experienced before and after the repair, and the findings of the independent engineer who confirmed the presence of an ongoing fault that they considered to be the original underlying issue. And based on this, I'm persuaded it's more likely than not the car wasn't of satisfactory quality when it was supplied to Ms H, and remained of unsatisfactory quality after CA had the opportunity to repair it.

Putting things right

Having determined the car wasn't of satisfactory quality when it was supplied to Ms H, I've next considered what CA should do to put things right.

I've considered that the dealership has offered to repair the master cylinder leak at no cost to Ms H, as well as arrange collection of the car and provide a courtesy car to minimise inconvenience. However, I also note the dealership has had several opportunities to identify and repair the clutch issue since October 2023. With this in mind, I find Ms H has fair grounds to seek rejection of the goods. A clutch repair has already been attempted and after several opportunities to diagnose the underlying problem, the car wasn't brought back to conformity within a reasonable amount of time.

CA should therefore end the agreement with nothing further to pay and arrange collection of the car at no cost to Ms H. CA should refund Ms H's deposit with interest. And when cancelling the agreement, CA should ensure no adverse information is recorded on Ms H's credit file.

Ms H has had some usage of the car while it's been in her possession. And while it was at the dealership for repair, she was also provided with a courtesy car to keep her mobile. Because of this, I think it's only fair that she pays for this usage. However, Ms H has told this service she hasn't used the car since July 2024, after she asked to reject it. She explained she leased another car to use as she was in need of a reliable vehicle due to her mobility issues. As I find Ms H had grounds to exercise her final right to rejection at this time, I think it's fair that CA refund any payments she's made from July 2024 onwards.

As Ms H has remained in possession of the car, she's had to continue to pay to insure a car she's been unable to use, in addition to the car she leased. I consider this to be an additional

cost Ms H wouldn't have incurred had she been supplied with a car that was of satisfactory quality. So, CA should refund the amount Ms H has paid for insurance on this car since July 2024, and any cancellation fee Ms H may now incur, on receipt of evidence this has been paid by her.

For the time Ms H was using the car, I accept this use would've been impacted by the issues she's experienced. Ms H described intermittent but frequent issues with the clutch since October 2023, causing first, second and reverse gears not to engage and only being able to release the clutch by stalling the car. She said this mostly happened when in slow moving traffic, so not at all times. But I don't doubt the concern Ms H would've had about the issue reoccurring while on the road, which she says prevented her from travelling long distances. I'm satisfied the relatively low mileage Ms H travelled in the car since supply (around 5,500 miles in a year) supports this – especially considering this included several journeys to and from the dealership and test drives. So, having considered all of the circumstances of this complaint, I find it reasonable for CA to refund 25% of Ms H's monthly payments paid between October 2023 and July 2024, to compensate her for the impaired use she has had of the car.

Interest should be added to all refunded amounts, calculated at 8% simple per year from the date of payment until the date of settlement.

Lastly, I've thought about the distress and inconvenience Ms H has experienced as a result of being supplied with a car that was of unsatisfactory quality. Ms H has clearly been inconvenienced by having to take the car to be inspected on five occasions. But in addition, Ms H has also told our service of some devastating events in her personal life. I was very sorry to hear of what's she's had to go through and I thank her for sharing this. CA are aware of these events, so I won't repeat them here. And while such events are unrelated to the subject matter of this complaint, it does provide context to the level of impact this has caused Ms H at an already extremely challenging time. I've considered everything Ms H said when coming to my decision and acknowledge this matter has caused her considerable distress in many ways, over a significant period of time. I therefore think CA should pay Ms H £400 compensation in recognition of the distress and inconvenience caused.

I invited both parties to respond with any further points or evidence they wanted me to consider before I issued my final decision on this complaint.

Ms H accepted my provisional decision and didn't offer any further comments or submissions for my consideration.

CA 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 there are no further submissions for me to consider in relation to this matter, I see no reason to alter the conclusions reached in my provisional decision as set out above. That is, CA supplied Ms H with a car that wasn't of satisfactory quality and to put things right, they should now:

- End the agreement with nothing further for Ms H to pay.
- Remove any adverse information recorded on Ms H's credit file in relation to this agreement.
- Refund the deposit amount.

- Refund all monthly payments Ms H has paid since July 2024.
- Refund 25% of the monthly payments from October 2023 to July 2024.
- Refund the amount Ms H has paid to insure the car since July 2024 and any cancellation fee on receipt of evidence of these costs being incurred.
- Pay 8% simple yearly interest on all refunded amounts - calculated from the date of payment to the date of the refund†;
- Pay Ms H £400 compensation in recognition of the distress and inconvenience caused.

If CA has paid the amount offered within their final response, this should be deducted from the amounts set out above.

†If CA considers that tax should be deducted from the interest element of my award, they should provide Ms H with a certificate showing how much they have taken off so she can reclaim that amount, if she is eligible to do so.

My final decision

For the reasons explained, my final decision is that I uphold Ms H's complaint about CA AUTO FINANCE UK LTD and direct them to settle the complaint in accordance with what I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 26 September 2025.

Nicola Bastin
Ombudsman