

The complaint

Mr C complains about a car he acquired using a hire purchase agreement with Specialist Motor Finance Limited ("SMF"). He says the car has had numerous faults and it is no longer driveable.

What happened

In August 2023, Mr C entered a hire purchase agreement to acquire a used car. The car was eight years old at the time, had a cash price of £12,120, and had previously covered around 63,000 miles. Mr C paid a deposit of £1,000 and was required to pay 59 monthly repayments of £343.33 and a final repayment of £353.33.

Mr C says in early 2024, the car started to display an intermittent warning saying there was low oil pressure that might cause engine damage. The warning advised for the oil level to be checked. Mr C says the warning would turn off when he switched the engine on and wouldn't reappear for a while after. He says he spoke to the dealership who told him it might be a sensor issue as the oil level was good and the oil looked clear.

Mr C then booked his car in to be looked at in April 2024 and says he was told the car just needed a service. The vehicle check that was carried out at the time said the oil lamp was on due to an overdue service and the engine oil had deteriorated. The report also said the next MOT was due on 8 August 2024 and the next service was due on 10 August 2024.

Mr C took the car in for a MOT on 7 August 2024 which it failed. The car was then taken to the dealership on 24 August 2024. The invoice from the dealership shows they carried out an oil and filter service and an MOT. The dealership also added new coolant, replaced both front tyres due to low tread, replaced the front wheel bearings, the front lower arms, front track rod ends, a coil spring and drop links. At this point, the car's mileage was 86,220.

Mr C says the car went into limp mode in early October 2024 and has remained at a manufacturer's dealership since. He arranged for an independent inspection of the car, which was carried out on 4 December 2024, and which said the liability for the faults with the car lay with the dealership. Mr C complained to SMF about the quality of the car, but they didn't agree to do anything. SMF had noted some discrepancies with the independent report and arranged for a further independent inspection to be carried out. And, following that report, SMF didn't agree the car was of unsatisfactory quality when it was supplied to Mr C.

Our investigator recommended that Mr C's complaint should be upheld. In summary, she didn't think the car was of satisfactory quality when it was supplied to Mr C as it wasn't sufficiently durable.

SMF didn't agree and so Mr C's complaint has been 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.

I want to acknowledge that I've summarised the events of the complaint. I don't intend any courtesy by this – it just reflects the informal nature of our service. I want to assure Mr C and SMF though that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues.

Where the evidence is incomplete, inconclusive or contradictory (which some of it is here), I reach my decision on the balance of probabilities – that is, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

SMF supplied the car to Mr C under a regulated hire purchase agreement. Because of that, our service can consider complaints about the hire purchase agreement and the goods, in this case the car. As the supplier of the car, SMF had an obligation to ensure it was of satisfactory quality – as set out in the Consumer Rights Act 2015 ("CRA"). Satisfactory quality is what a 'reasonable person' would expect, considering amongst other things the age, price and mileage of the car.

Section 9 of the CRA refers to satisfactory quality and notes that the quality of goods includes their state and condition. It goes on to list the following aspects, amongst others, of the quality of goods: (a) fitness for all the purposes for which goods of that kind are usually supplied; (b) appearance and finish; (c) freedom from minor defects; (d) safety; (e) durability.

It's reasonable in my view to note the car wasn't new and had travelled around 63,000 miles at the time of supply. So, it would be unreasonable to expect a used car like this to be in the same condition which it would have been when first supplied. But just because the car was used with mileage, doesn't mean that SMF had no requirements in relation to satisfactory quality.

There is conflicting key evidence about the faults with the car, that has led to Mr C saying he wants to reject it. The report following the independent inspection that Mr C arranged says the following:

'....we proceeded to check the air filter which was found to be extensively blocked confirming that the air filter had not been replaced in the recent past'.

The report went on to say:

'We proceeded to start the vehicle where it was found that there was a noise coming from the timing chain area, which is almost certainly a result of the poor oil quality i.e. the oil quality affects the performance of the timing chain tensioner.'

And it concluded:

'Taking into account the poor condition of the oil and the blockage of the air filter leads us to the conclusion that the vehicle was not serviced prior to date of sale, and the fact vehicle has been back to the sales agent for emissions issues shortly after the date of purchase all leads us to conclude that the sales agents should be responsible for the repair costs.'

.....

'Any repair costs should be borne by the sales agents on the grounds that the vehicle was not sold in a durable condition, as the vehicle was obviously not serviced at the point of sale as evidenced by the air filter blockage'.

So, the independent inspector put the onus on the question of liability for what had happened to the car away from Mr C.

SMF pointed out shortly after the report was completed, that there were errors within it. The main one being that the inspector had incorrectly stated the car's mileage at the point of supply was 86,220 and that his findings were influenced by this as he had incorrectly said the car had travelled less than 3,000 miles whilst in Mr C's possession.

I note also though that the independent inspector clarified his remarks following this being pointed out to him, saying the mileage discrepancy didn't change his overall conclusions as it didn't negate the evidence that the car wasn't properly serviced prior to the date of sale, which he felt was confirmed by the poor condition of the air filter and excessive carbon build-up. The inspector also said the timing chain noise, carbon build-up and poor oil quality that he noticed during the inspection wouldn't have developed solely due to 25,000 miles of use after the point of supply if it had been properly serviced at that time.

SMF then arranged for a separate company to carry out an independent inspection of the car. The report from this said:

'.... during our inspection, we did not experience the faults relating to intermittent low oil pressure, or the vehicle being in limp mode'.

It also said:

'...with the information made available to ourselves at the time of the inspection this would indicate, the vehicle has been subjected to potential oil dilution, which has....caused warning lights, not allowing the vehicle to perform complete DPF regenerations.

And:

'...at this stage with the elapsed time and mileage covered in the vehicle, it would be considered the faults would not have been present at the point of sale'.

So, what I have are two independent reports with very different outcomes on the question of liability. The first report put that liability on the 'sales agents' and as SMF are the owners of the car, that liability would now be on them. The second report effectively didn't agree that SMF had any liability.

This is a very finely balanced case as two experts in their field have concluded very different things. Overall, though, I am more inclined to think the first report is more persuasive in its findings. I say this because my impression of the conclusions reached in the second report (which SMF rely on) are that they consider whether faults were present at the time of sale, rather than considering a key aspect of satisfactory quality, which is durability (and therefore considering whether faults that occurred are ones that are to be expected at that time). The first inspector was adamant that the condition of the air filter was such that the car hadn't been serviced correctly before Mr C acquired the car, even allowing for the mileage discrepancy in the report, and that it wasn't sufficiently durable as a result.

I appreciate that others may reach a different conclusion than I have, and I'm not questioning the expertise of the second inspector. But overall, I find the contents of the first report and the clarifications made by the inspector persuasive enough to make me think on balance the car wasn't of satisfactory quality when it was supplied to Mr C.

I've considered as part of this that SMF noted that Mr C didn't service the car at the required time and that may well have contributed to or even been the sole reason for the current faults with the car. I'm not persuaded of this, however. Interestingly, the second inspector said the service history of the car wasn't relevant to the issues with the car. And I note that the first inspector didn't think the servicing intervals when Mr C was in possession of the car were a contributing factor.

But irrespective of both those things, I'm not persuaded the service history points to Mr C essentially causing the faults with the car. I note the servicing requirements were at 12-month intervals or when the car had travelled 12,500 miles since the previous service (whichever came first). But I've seen a copy of the service history, and this shows the car was serviced in January 2019 at just over 26,000 miles with the next service being completed in August 2023 just before the car was supplied to Mr C. So, there was a significant gap in servicing during that time which may go some way into explaining why the car is in the condition it now is. The service history also shows that Mr C serviced the car a year later in August 2024. I've noted this was beyond the 12,500-mile recommended interval. But, as I've mentioned, the first inspector didn't think this made a difference to the condition of the car and believed it hadn't been serviced properly prior to the point of supply.

So, again while appreciating this is a very finely balanced case with competing, conflicting evidence, on balance and for the reasons I've set out above. I find the car wasn't of satisfactory quality when it was supplied to Mr C.

Putting things right

The CRA sets out a number of possible remedies where goods were found to have not been of satisfactory quality. One of those remedies is to allow one opportunity for the goods to be repaired. Where that doesn't resolve the issue, the consumer can then seek the right to reject the goods. I've had regard to the CRA when considering what is a fair and reasonable remedy in this instance for Mr C.

I've set out above why I consider the car wasn't of satisfactory quality when it was supplied to Mr C. Repairs have been attempted on the car. So, I'm satisfied it would be reasonable for SMF to now accept Mr C's request to reject the car and end his hire purchase agreement with them.

SMF therefore needs to arrange to take the car back from Mr C (or from where it is currently situated) and end the hire purchase agreement ensuring that Mr C isn't held liable for monthly rentals after the point of collection, any associated costs in relation to the collection, or other costs that may apply such as storage costs. SMF should also refund Mr C the deposit of £1,000 he paid, with interest.

From the evidence I've seen, Mr C hasn't been able to use the car since 29 November 2024. So, I think it reasonable that SMF refund all payments he made to them since that date, with interest.

Mr C has also suffered inconvenience as a result of being supplied with a car that wasn't of satisfactory quality. SMF should make an additional payment of £200 in recognition of this. And they should ensure that any adverse information is removed from Mr C's credit file in respect of this agreement (if any has been recorded).

My final decision

My final decision is that I uphold Mr C's complaint. I direct Specialist Motor Finance Limited to settle the complaint by:

- Taking back the car and ending the hire purchase agreement ensuring no further monthly repayments are paid by Mr C.
- Ensuring any costs associated with taking the car back aren't passed on to Mr C.
- Refunding the £1,000 deposit Mr C paid, applying interest at 8% simple each year from the date of payment to the date of settlement.
- Refunding all monthly payments paid by Mr C under the hire purchase agreement since 29 November 2024, applying interest at 8% simple each year from the date of each payment to the date of settlement.
- Paying Mr C £200 for the inconvenience he's been caused.
- Ensuring no adverse information is recorded on Mr C's credit file once the agreement has ended.

If Specialist Motor Finance Limited considers that it's required by HM Revenue & Customs to deduct income tax from the interest element of my award, it should tell Mr C how much it's taken off. It should also give Mr C a tax deduction certificate if he asks for one, so he 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 C to accept or reject my decision before 26 December 2025.

Daniel Picken
Ombudsman