

The complaint

Mr B complains about the quality of a vehicle he acquired through a hire purchase agreement financed by Startline Motor Finance Limited (SMF).

What happened

In July 2024 Mr B acquired a used car through a hire purchase agreement. The car was around seven years old, and it had travelled approximately 91,000 miles at the time of supply.

Mr B complained to SMF at the end of November 2024 about the quality of the car. He said the car was losing power and struggling to get into gear, along with emitting smoke from the exhaust.

Mr B had the car inspected, and in mid-December provided reports to SMF that highlighted the injectors had been tested and were not the cause of the fault. There was a suspected internal engine problem, and a replacement engine was recommended.

SMF arranged for an inspection of the car to take place, and this was done in January 2025. The engineer concluded that there were excessive smoke emissions, and no relevant fault codes. They thought the cause was likely an internal engine issue and the car was not reasonably durable when it was supplied to Mr B. The car had travelled around 94,000 miles at the time of this inspection.

The car was collected from Mr B in mid-February 2025, and repairs were attempted. SMF sent Mr B a final response to his complaint on 12 March 2025. They said they'd upheld Mr B's complaint, and repairs should now be complete. They paid Mr B £200 for the distress and inconvenience caused.

Mr B told SMF that repairs hadn't been completed, and he was still without the car.

SMF sent Mr B a second final response to his complaint on 1 April 2025. They said repairs had been attempted, but had subsequently failed, and so they'd rejected the agreement. They retained three monthly payments made by Mr B to reflect the use he'd had of the car, and the remainder of the payments he'd made were refunded. SMF said that Mr B's deposit would be refunded, and they'd already paid him compensation.

Unhappy with this, Mr B asked this service to consider his complaint. He said he'd been told there was a modified diesel particulate filter (DPF) in the car, which would've invalidated his insurance. And, as he'd been making insurance payments for a car that he didn't have access to, he'd like these to be refunded. Mr B asked for a refund of his car tax while he couldn't use the car, and he asked for payments he'd made to hire a car and for taxis to keep his family mobile to be refunded, along with £1,500 compensation to reflect the distress and inconvenience caused.

Our investigator gave their view that the car wasn't of satisfactory quality when it was supplied to Mr B. They thought the offer to refund Mr B's deposit and monthly payments

excluding the three months for the use Mr B had of the car was fair, but they asked SMF to add 8% interest to these refunds. They asked SMF to refund Mr B's hire car costs that were over and above the value of his normal monthly payments, at £795.23, plus interest.

Our investigator didn't think SMF needed to refund Mr B's tax and insurance because he'd received a benefit from these even when he didn't have the car, and there was no evidence of a modified DPF. They asked SMF to increase their compensation payment to a total of £400 to reflect the distress and inconvenience caused.

SMF accepted our investigators recommendations.

Mr B didn't agree. He said SMF could've collected the car and unwound the agreement much sooner, and so they should refund the tax and insurance he'd had to pay because of this, and the vehicle had been modified which would've invalidated the insurance, so he hadn't received a benefit from continuing to pay it. Mr B said the compensation didn't accurately reflect the distress and inconvenience he'd experienced.

As an agreement can't be reached, the case has been passed to me for a decision.

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.

In considering what's fair and reasonable, I need to have regard to the relevant law and regulations. The agreement in this case is a regulated hire purchase agreement – so we can consider a complaint relating to it. SMF as the supplier of the goods under this type of agreement is responsible for a complaint about their quality.

The Consumer Rights Act 2015 (CRA) is relevant to this complaint. It says that under a contract to supply goods, there is an implied term that the "quality of the goods is satisfactory"

To be considered "satisfactory" the goods would need to meet the standard that a reasonable person would consider satisfactory – taking into account any description of the goods, the price and other relevant factors. Those factors, in the case of a car purchase, will include things like the age and mileage of the car at the time of sale, and the car's history. The quality of the goods includes their general condition and other things like their fitness for purpose, appearance and finish, safety and durability.

Here the car was acquired used with a cash price of around £17,000. It was about seven years old and had travelled around 91,000 miles at the time of supply.

When a person acquires a used car like Mr B's it's reasonable to say that the expectation of quality is lower than that of a new or lower mileage second-hand car. The price for the vehicle is lower, and this is reflective of the fact that the car is more road-worn. The chance of encountering an issue sooner, is higher.

There have been a number of inspections on Mr B's car, all highlighting a fault resulting in a knock and excessive smoke from the exhaust. It's not been possible to find the cause of the fault, but all parties have agreed that the car wasn't of satisfactory quality at the time it was supplied to Mr B. Considering the car's age and mileage at the time of the fault, that the suggested remedy was an engine replacement, and that SMF have been unable to repair the vehicle, I'm satisfied that the car wasn't reasonably durable and so wasn't of satisfactory

quality at the time it was supplied to Mr B. Having made that finding I need to decide what, if anything, SMF need to do to put things right.

Putting things right

SMF have accepted rejection of the vehicle. I understand that the car has been collected from Mr B, the agreement has been ended, Mr B's deposit has been refunded, and SMF have refunded the monthly payments made by Mr B, retaining three of these to reflect the use he had of the vehicle.

I'm satisfied that rejecting the car was reasonable as repairs weren't possible, and that it was fair for SMF to refund Mr B's deposit and his monthly rentals from the time he was unable to use the car. SMF should pay interest on these refunds if they haven't already. Mr B was able to use the car for around three months before the fault occurred, and SMF have retained the monthly payment for this period. I think these payments fairly reflect the use Mr B had of the car, and it was fair for SMF to retain these.

Mr B has been unable to use the car since the fault first occurred in November 2024. I've seen evidence that Mr B hired a car on two occasions during December 2024 and January 2025 to help with keeping mobile, at a cost of £1,460.53. Mr B wouldn't have hired the cars but for the car SMF supplied being of unsatisfactory quality, and I'm satisfied that it was reasonable for Mr B to hire the cars to keep himself mobile in the circumstances. And so, I find that SMF should refund Mr B for the difference between the hire car costs and his normal monthly payments, at £795.23, plus interest.

I've seen evidence of taxi costs incurred by Mr B's partner whilst he was unable to use the car. As the agreement is only in Mr B's name, I can't consider costs incurred directly by his partner and so I'm not asking SMF to refund these.

Mr B has asked for the cost of insurance and tax that he paid whilst he was unable to use the car to be refunded. He said he'd have been able to cancel these sooner if SMF had agreed to the rejection sooner, and he didn't think he'd benefitted from the insurance because a modified DPF would've invalidated it.

I've thought carefully about these costs. Tax and insurance are part and parcel of running a vehicle, and whilst I appreciate Mr B's strength of feeling on this matter, I must consider that these are costs that Mr B would've needed to pay in order to keep himself mobile in any vehicle.

I've considered the timeline in Mr B's case, and whilst Mr B had trouble in corresponding with the dealership, I think SMF arranged for an inspection of the car soon after Mr B provided it with evidence of the faults in December 2024. SMF accepted the findings of the report and attempted to return the vehicle to a satisfactory condition by repairing it. They couldn't do this, and I'm satisfied that they accepted rejection within a reasonable timeframe following unsuccessful repairs. So, whilst I know it was a very inconvenient time for Mr B to be without a vehicle, I'm not persuaded that SMF delayed the rejection unreasonably.

In addition, Mr B has received benefit from the tax and insurance. I haven't seen any evidence that the car was declared as SORN, so the tax was due. Mr B was also protected from any event that insurance would have covered. Whilst I appreciate that such an event didn't occur, that doesn't mean the product had no benefit, and this isn't unusual in the normal operation of an insurance product.

Mr B said his insurance would've been invalidated by a modified DPF. Although it's been noted as possible, I haven't seen any evidence that the DPF was modified or that this would

have affected Mr B's insurance policy in the event of a claim. and so, I'm satisfied that Mr B did get a benefit from the insurance. So, I'm not asking SMF to refund the tax or insurance costs.

Our investigator recommended that SMF pay Mr B £400 compensation. Mr B said he doesn't feel this reflects the circumstances.

Mr B has been put to distress and inconvenience in being supplied with a vehicle that was of unsatisfactory quality. He's had to spend time having the faults investigated and has been without a vehicle for a prolonged period. Mr B has explained to this service the effect this has had on him personally, given his family commitments at the time. I do appreciate that it's been a difficult situation for Mr B and his family, and I don't intend to downplay that experience. But I must consider the distress and inconvenience that Mr B has experienced over and above that which his situation might ordinarily have caused him, but for the vehicle being of unsatisfactory quality. All things considered, I'm satisfied that £400 fairly reflects the distress and inconvenience caused to Mr B.

My final decision

My final decision is that I uphold this complaint, and Startline Motor Finance Limited must:

- End the agreement if it hasn't already, ensuring that Mr B is not liable for monthly rentals after the agreement has ended
- Take the vehicle back without charging for collection if it hasn't already done so
- Refund Mr B's deposit of £4,200 plus 8% simple interest from the date of payment to the date of refund
- Refund Mr B's monthly payments from November 2024 until the agreement is ended if it hasn't already, plus 8% simple interest from the date of payment to the date of refund
- Refund Mr B's hire car costs over and above his normal monthly rental amount, at £795.23, plus 8% simple interest from the date of payment to the date of refund
- Pay Mr B a total of £400 compensation to reflect the distress and inconvenience caused
- Remove any adverse information about the agreement from Mr B's credit file

If SMF considers that it's required by HM Revenue & Customs to withhold income tax from the interest part of my award, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 November 2025.

Zoe Merriman
Ombudsman