

The complaint

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

What happened

In February 2024, Mr A was supplied with a used car through a hire purchase agreement with CAF. He paid an advance payment of £1,500 and the agreement was for £10,750 over 42 months; with 41 monthly payments of £306.20 and a final payment of £316.20. At the time of supply, the car was around eight and a half years old and had done around 54,000 miles.

Mr A was having problems with the car, and, in June 2024, he raised a complaint with the Financial Ombudsman Service. We dealt with this under a separate reference number, and, in October 2024, an investigator issued their opinion. This said that the car had an intermittent fault that made it of an unsatisfactory quality at the point of supply. And the investigator recommended that the car was repaired at no cost to Mr A, along with a refund of some of the payments he'd made, a refund of the costs he'd incurred, and £200 compensation for what had happened.

Both parties accepted this in resolution of the complaint, and repairs were carried out in December 2024. However, Mr A said these repairs had been unsuccessful, with intermittent issues relating to the ABS, and the ESP and traction control lights illuminating on the dashboard. This was causing the car to go into limp mode. Because of this Mr A wanted to be able to reject the car. CAF didn't agree with this and wanted a further opportunity to repair the car. So, this matter was sent back to us for further investigation.

Our investigator said Mr A had provided evidence to show the fault with the car remained and, as CAF had already had the opportunity to repair the car, Mr A should now have the right of rejection. The investigator also said that Mr A should receive a refund of the deposit he paid, a refund of any diagnostic costs he'd incurred since the December 2024 repair, and a further £150 compensation for the additional inconvenience he'd been caused.

While CAF agreed with the refund of the diagnostic costs Mr A had incurred, and with the £150 compensation, they didn't agree that Mr A should be allowed to reject the car. They didn't think the software update that was carried out in December 2024 was a repair attempt, and they said they therefore still have the right of repair.

Mr A also didn't agree with the investigator's opinion. He said it was always his intention to make all the payments and keep the car, so he didn't think it was fair that CAF were able to keep all the payments he'd made, as doing so puts him in a loss as he's only travelled 4,000 miles in the car. Mr A also said that he'd requested rejection of the car on the second day of ownership, and every day he keeps the car represents a further loss.

Because neither party agreed, this matter 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. 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.

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. Mr A was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

The Consumer Rights Act 2015 ('CRA') says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of goods, CAF are responsible. What's satisfactory is determined by things such as what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history and its durability. Durability means that the components of the car must last a reasonable amount of time.

The CRA also implies that goods must conform to contract within the first six months. So, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied, unless CAF can show otherwise. So, if I thought the car was faulty when Mr A 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 CAF to put this right.

Before I explain why I've reached my decision, I think it's extremely important for me to set out exactly what I've been able to consider here. Mr A has made a previous complaint about the satisfactory quality of the car, which was resolved by both parties agreeing to a repair. This repair was carried out in December 2024. As such, my decision will only consider what has happened after that repair and will not touch on things that have already been considered, for example Mr A's initial request to reject the car in February 2024.

However, in this instance, it's also not disputed that the problem with the car remained after the December 2024 repair attempt. And neither party have objected to the refund of the diagnostic costs or the £150 compensation. As such, my decision will focus on whether Mr A has the right to reject the car and what, if anything, CAF should do to put things right.

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. This applies to all issues with the goods, and to all repairs – 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.

CAF have argued that the software update that was carried out in December 2024 was not a repair attempt, and they therefore still have the single chance of repair. However, I disagree with this. CAF had previously agreed to repair the car, and that repair attempt was carried out in December 2024 – even if it was only a software update. The CRA doesn't specify what

constitutes a repair attempt, and the software update was done in an attempt to resolve the intermittent fault with the car. As such, I'm satisfied this was the single chance of repair.

The CRA is also clear that, if the single chance at repair fails, as was the case here, then Mr A has the right of rejection. While Mr A is able to agree an alternative remedy i.e., further repairs to the car, instead of rejection; in this case Mr A doesn't want any further repair. As such, he has the right of rejection and CAF should allow him this right.

Putting things right

As I've explained above, Mr A has the right of rejection, and CAF should allow him this right. They should also refund the deposit he paid as part of this rejection, as well as refunding the diagnostic costs they've already agreed to refund.

When a car is rejected, the CRA allows the supplier, in this case CAF, to charge for fair usage. And our usual approach is to say that, where the customer has had use of the car, then the financial business should be allowed to retain the payments to account for that fair usage. However, in this instance, Mr A doesn't think this is reasonable.

Mr A has said that he's only driven the car around 4,000 miles since it was supplied to him, and this is supported by the MOT record that shows recent low mileage. However, there is no fixed formula for fair usage, and this isn't dependent upon mileage only. So, when considering this, I need to consider that Mr A has had the car available for him to use, and that he's still using the car. I also need to consider that, under the previous complaint we considered, Mr A has already received a part refund of some of the payments he's made.

As such, and after taking everything into account, I'm satisfied it's reasonable for CAF to retain the payments Mr A has made (less the partial refund already provided) to account for the fair usage of the car. And I won't be asking them to refund any further payments

Finally, I think Mr A should be compensated for the distress and inconvenience caused by what has happened. But crucially, this compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available.

I note that all parties have accepted the recommended £150 and, having considered this recommendation, I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward. So, this is a payment I'm directing CAF to make

Therefore, CAF should:

- end the agreement, ensuring Mr A is not liable for any monthly payments after the point of collection (if any payments are made, these should be refunded);
- collect the car at no collection cost to Mr A;
- remove any adverse entries relating to this agreement from Mr A's credit file;
- refund the deposit Mr A paid (if any part of this deposit is made up of funds paid through a dealer contribution, CAF is entitled to retain that proportion of the deposit);
- upon receipt of proof of payment, refund any diagnostic costs incurred by Mr A after the attempted repair in December 2024;
- apply 8% simple yearly interest on the refunds, calculated from the date Mr A made the payments to the date of the refund[†]; and
- pay Mr A an additional £150 to compensate him for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (CAF must

pay this compensation within 28 days of the date on which we tell them Mr A accepts my final decision. If they pay later than this date, CAF must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment[†]).

[†]If HM Revenue & Customs requires CAF to take off tax from this interest, CAF must give Mr A a certificate showing how much tax they've taken off if he asks for one.

My final decision

For the reasons explained, I uphold Mr A's complaint about CA Auto Finance UK Ltd. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 January 2026.

Andrew Burford
Ombudsman