

The complaint

Miss B is unhappy that a car supplied to her under a personal contract purchase agreement with CA Auto Finance UK Ltd ('CAF') was of an unsatisfactory quality. She also believes CAF acted irresponsibly by approving the personal contract purchase agreement she applied for.

What happened

In December 2023, Miss B was supplied with a used car through a personal contract purchase agreement with CAF. She paid an advance payment of £2,088 and the agreement was for £14,687 over 49 months; with 48 monthly payments of £260.38 and a final payment of £9,086. At the time of supply, the car was just over three years old and had done around 23,000 miles.

Miss B says the car was supplied to her with warning lights illuminated, and she had to replace a tyre and solenoid in December 2024. The car broke down in January 2025, when it had done around 29,000 miles and was recovered to the supplying dealership who said that a new engine and turbo was likely required.

Miss B complained to CAF, who said there was no evidence the car had any issues that were present or developing at the point of supply. And they thought they'd acted reasonably when approving the finance Miss B applied for. So, they didn't uphold the complaint.

Unhappy with this response, Miss B brought the matter to the Financial Ombudsman Service for investigation.

Our investigator said the car had been serviced regularly, so it was unreasonable to expect the engine to fail after less than 30,000 miles. Given this, the investigator didn't think the car was sufficiently durable, and this made it not of a satisfactory quality at the point of supply. So, the investigator said that CAF should arrange for the car to be repaired; refund the payments Miss B had made since January 2025; refund the repair and towing costs Miss B paid after the engine failed; and pay Miss B an additional £350 for the trouble and inconvenience she'd suffered.

The investigator also didn't think that CAF had carried out fair and reasonable checks when approving the finance Miss B applied for. However, when the investigator considered what fair and reasonable checks would likely have shown, they felt that, had CAF done these checks, they would've found the finance to be sustainably affordable. So, the investigator didn't uphold this element of the complaint.

CAF agreed with the investigator's opinion, but Miss B didn't. She said that, once the car was repaired, she would need to sell it as she can no longer afford the finance payments. She said that, based on the current settlement figure and a valuation she's received from a company that buys cars, this would leave her with a shortfall of around £4,000, which she can't afford to pay. So, Miss B wanted to be able to reject the car, with a full refund of the deposit she paid, in addition to the payment refunds recommended by the investigator.

Because Miss B didn't agree, 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. Miss B was supplied with a car under a personal contract 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 Miss B 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.

In this instance, neither CAF or Miss B have objected to the investigator's findings that, had fair and reasonable checks been carried out, the finance would've been found to be affordable for Miss B at the point of application. As such, I'm satisfied that I don't need to consider this element of the complaint within my decision.

It's also not disputed that the car supplied to Miss B wasn't sufficiently durable, and this made it of an unsatisfactory quality at the point of supply. So, I'm also satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think CAF should do to put things right.

Putting things right

Due to the difference between the value of the car and the settlement figure, Miss B would prefer to reject the car and receive a refund of the deposit she paid. CAF have also said they would like to diagnose the issues with the car, before making any commitment to repair.

While I appreciate the views of both parties, 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. CAF haven't had the single chance of repair they're entitled to, and the fact Miss B wants to dispose of the car after repair doesn't remove this right. As such, I agree with the investigator that CAF should arrange for the car to be diagnosed and repaired.

However, especially when considering the fact that an engine replacement might be likely, I also need to consider the economics of the repair. So, after diagnosis, if CAF don't believe it's economically viable to repair the car, the CRA allows them to offer Miss B the right of rejection instead. However, the right of repair goes both ways, so, if, and only if, Miss B agrees that CAF don't need to repair the car if they've determined it would be uneconomical to do so, then rejection can take place instead. And, in these specific circumstances, I would expect CAF to refund the deposit Miss B paid, plus statutory interest, in addition to the other compensation I will be directing.

The car has been off the road and undrivable since January 2025, and Miss B hasn't been supplied with a courtesy car. As such, she has been paying for goods she was unable to use. As, 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 CAF failed to keep Miss B mobile; I'm satisfied they should refund the payments she made during this period.

For clarity, if Miss B has missed any payments since January 2025, then these should be treated as having been paid, with any arrears being waived and the outstanding balance reduced accordingly.

Following the breakdown in January 2025, Miss B paid £388.70 in an attempt to repair the car and also incurred costs having the car recovered to the dealership, where it remains. Given that the car wasn't of a satisfactory quality when supplied, I think it's only fair that CAF reimburse these costs.

Finally, I think Miss B should be compensated for the distress and inconvenience she's been caused. 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 our investigator also recommended CAF pay Miss B £350 to recognise the distress and inconvenience caused. 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.

When reaching my decision, I have considered the situation Miss B has explained she's found herself in, with regards to her intention to sell the car. For the reasons already stated, her wish to dispose of the car doesn't affect the right under the CRA for the car to be repaired. However, I would remind Miss B of her right to voluntarily terminate the agreement, as detailed in the agreement she signed. I would also remind her that, once the above has been carried out, this may affect both the settlement figure and the value of the car. And, finally, Miss B has received a sale valuation from a company whose business model is to purchase cars at the lowest price possible, so they can sell them on at a profit. As such, this may not reflect the true value of the car, or what sale price could be achieved through other companies or by private sale.

Therefore, CAF should:

- arrange for the car to be diagnosed and repaired at no cost to Miss B, and without any undue delay once they are advised Miss B accepts my final decision;
- remove any adverse entries relating to this agreement from Miss B's credit file;
- refund any payments Miss B has made from January 2025 until the car is repaired and returned to her, waiving any payments in this period that haven't been made and adjusting the outstanding balance accordingly;

- upon receipt of proof of payment, reimburse Miss B for the repair and recovery costs she's incurred after the engine failed in January 2025;
- apply 8% simple yearly interest on the refunds/reimbursements, calculated from the date Miss B made the payments to the date of the refund[†]; and
- pay Miss B an additional £350 to compensate her 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 Miss B 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 Miss B a certificate showing how much tax they've taken off if she asks for one.

My final decision

For the reasons explained, I uphold Miss B'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 Miss B to accept or reject my decision before 5 February 2026.

Andrew Burford
Ombudsman