

The complaint

Mr R is unhappy that a vehicle supplied to him under a hire agreement with Motability Operations Limited (Motability) was of unsatisfactory quality.

What happened

The circumstances of this case are well known to both parties, so I won't repeat everything here. But to summarise, Mr R was supplied with a brand-new vehicle through a hire agreement with Motability in December 2024. He paid an advance rental payment of £6,499. The remainder of the total allowance payable was to be paid in four-weekly intervals over the three-year term of the agreement.

Shortly after supply, Mr R reported a number of electrical faults including lane assist and heating not working, battery issues, various error messages on the dashboard and intermittent loss of power to the dashboard. The vehicle underwent several diagnostic investigations and no fault was identified.

Motability agreed to terminate the agreement early and refund Mr R the £250 cancellation fee as a gesture of goodwill.

Our Investigator reviewed matters and thought the complaint should be upheld. They noted the intermittent nature of the faults meant they would be difficult to replicate. But they were satisfied there was enough evidence to support the presence of a fault that made the vehicle of unsatisfactory quality. Given there had been several opportunities to diagnose and repair the issue, they considered rejection to be a fair remedy. As a cancellation fee wouldn't have applied for rejection, the Investigator thought Motability should pay Mr R a further £300 compensation for the distress and inconvenience caused.

Motability didn't agree. In summary, they said there wasn't sufficient evidence to establish the presence of a fault, and Mr R declined their offer to investigate his concerns in greater depth to avoid delay to the handover of the new vehicle.

As no agreement has been reached, the 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 outcome as the Investigator, for broadly the same reasons.

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.

Mr R was supplied with a vehicle under a hire 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 Mr R entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. Motability is the supplier of the vehicle 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 vehicle at the point of supply.

In this case, the vehicle was brand-new. So, I'd expect it to be in perfect working order and free from even minor defects when it was supplied to Mr R.

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 vehicle of unsatisfactory quality.

I've carefully considered the evidence available, which includes Mr R's testimony, to decide whether I'm persuaded there was a fault with the vehicle – and I think there was. Having considered what Mr R has said about his experience in the vehicle, I note he's been consistent throughout his testimony to Motability regarding the electrical issues since December 2024. He's also provided photo evidence of the blank dashboard while on the road. I've considered what Motability have said about multiple engineers being unable to replicate the problem. But given the intermittent nature of the issues Mr R reported, I don't think them not being replicated at the time of inspection is enough to say a fault didn't exist. And I think it's highly unlikely Mr R would go to the trouble of taking the vehicle to different garages for further inspection several times, complaining multiple times about the issues, or calling for breakdown assistance if the issues didn't occur as he described.

The breakdown report dated April 2025 confirmed the presence of several electrical related fault diagnostic codes, and the engineer noted a BSI (built-in systems interface) fault. I've considered Motability's point that fault codes are only indicative of a potential issue and further investigation is required to identify and resolve any underlying fault. But I think it's unlikely the fault codes would've been present had there been no issue here. A BSI controls many of the electrical functions on a vehicle, and the fault codes relating to the electrical components on Mr R's vehicle were consistent with the faults he reported on multiple occasions.

Based on the above, I'm persuaded, on balance, it's more likely than not the vehicle was defective in some way that resulted in the problems Mr R experienced. I've not been presented with any persuasive evidence from Motability that demonstrates there wasn't a fault. And given this was a brand-new vehicle, which should reasonably be free from defects for some time, I consider the vehicle wasn't of satisfactory quality when it was supplied to Mr R.

Putting things right

Having determined the vehicle wasn't of satisfactory quality when it was supplied to Mr R,

I've next considered what Motability should do to put things right.

Motability had several opportunities to identify and repair the problem with the vehicle from December 2024. I appreciate Motability don't consider there to be a fault with the vehicle, given the issue couldn't be replicated during inspection. But the evidence available does confirm the intermittent nature of the fault codes that reflect the instances Mr R describes. The fact the fault couldn't be replicated in order to identify a remedy to solve the issue was understandably concerning for Mr R, as no reassurance could be offered that the same issue wouldn't continue to reoccur.

With this in mind, I find Mr R had fair grounds to seek rejection of the goods. After several opportunities to diagnose the underlying problem, the vehicle wasn't brought back to conformity within a reasonable amount of time.

Mr R early terminated the agreement in April 2025. So, there's no longer an agreement in place to unwind, or vehicle to return. Motability refunded the £250 cancellation fee, so I'm satisfied Mr R didn't have to pay anything to exit the agreement. Motability has also issued a pro-rated refund of the deposit he paid, as I'd expect. However, interest should be paid on the amount refunded, calculated at 8% simple per year from the date Mr R paid it to the date it was refunded.

Motability should also remove any adverse information from his credit file, if any. The credit agreement should be marked as settled in full on his credit file, or something similar, and should not show as voluntary termination.

Mr R has had use of the vehicle while it's been in his possession. And while it was at the dealership for repair, it seems he was provided with a courtesy vehicle to keep him mobile. Because of this, I think it's only fair that he pays for this usage.

However, I've considered that Mr R was inconvenienced by having to take the vehicle for diagnostics several times over a three-month period. And Mr R's concern about the safety of the vehicle is evident throughout his communication with Motability, so his use wasn't carefree as should reasonably be expected from a brand-new vehicle. I therefore think Motability should pay Mr R £300 compensation for the distress and inconvenience caused by being supplied with a vehicle that was of unsatisfactory quality.

My final decision

For the reasons set out above, my final decision is that I uphold Mr R's complaint about Motability Operations Limited and direct them to:

- Pay Mr R £300 compensation for the distress and inconvenience caused.
- Pay 8% simple yearly interest on the deposit refund - calculated from the date of payment to the date of the refund†.
- Remove any adverse information recorded on Mr R's credit file in relation to this credit agreement, and the credit agreement should be marked as settled in full on his credit file, or something similar, and should not show as voluntary termination.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 2 December 2025.

Nicola Bastin
Ombudsman