

The complaint

Mr K complains about the quality of a car he acquired under a hire purchase agreement with Specialist Motor Finance Limited (SMF).

When I refer to what Mr K and SMF said or did, it should also be taken to include things said or done on their behalf.

What happened

In October 2024, Mr K entered into a hire purchase agreement with SMF to acquire a used car. The car was first registered in September 2017. At the time of acquisition, the car had travelled approximately 80,607 miles. The total cash price of the car was approximately £9,994 when Mr K acquired it. There was a deposit of £1,000. There were 59 monthly repayments of £242.19 and a final repayment of £252.19.

Mr K said that early on he experienced an intermittent fault involving difficulty starting the car, loss of power, and a tendency to stall. As there were no warning lights and the fault was sporadic, he did not seek diagnosis until shortly before the warranty expired, hoping the issue could be identified for a claim. Mr K told us he took the car to a local dealership for that car's make, believing they were best placed to diagnose the problem. After paying £230, they advised that the car had excessive carbon build-up and a fault code for the intake manifold flap. They showed evidence indicating the fault occurred approximately eight miles before Mr K was supplied the car. The dealer recommended removing both EGR valves, the air cooler, and the intake manifold, but warned this might not resolve the issue and suggested the cylinder head could be the underlying cause.

Mr K said he exercised his rights under the Consumer Rights Act 2015 and informed SMF of his intention to reject the car due to the potential cost of repairs. SMF advised that the supplying dealership must be given the opportunity to repair, replace, or refund before rejection can take place. The dealership retained the car for nearly two weeks without providing a courtesy car to Mr K. Upon collection, the fault reoccurred the same day.

On 7 April 2025, Mr K told us he informed SMF that the car was not fixed and requested to unwind the finance agreement. SMF said an independent assessor would need to confirm the fault. Before this assessment, the car broke down and was recovered to the local dealership for that car's make, who charged £220 but could not identify the fault. Later, the independent assessor confirmed the car was faulty on 19 April 2025, and SMF acknowledged receipt of the report on 29 April 2025. Mr K said he made numerous calls to resolve the matter. On 16 May 2025, SMF issued a final outcome letter detailing the resolution and refund amount. Mr K told us he was dissatisfied with the calculation and the lack of reimbursement for his costs.

SMF issued a response letter to Mr K on 16 May 2025. In this correspondence they said that they are upholding his complaint. SMF said the dealership accepted his rejection of the car and for the agreement to be unwound. SMF said that they were entitled to charge Mr K for usage. As such they said Mr K would receive a refund of £1,601.33 into his account. In addition to this, due to the time the complaint has been open, they said they will also award

£248.67 for the distress and inconvenience caused. Hence, they said he would receive a total amount of £1,850.

Mr K waited for some time for SMF to issue him the refund but as it was not coming, he referred his complaint to us; the Financial Ombudsman Service (Financial Ombudsman).

While the case was at our service SMF said that the response dated 16 May 2025 had incorrect figures. They said that as Mr K made payments to SMF totalling £1,695.33 plus a deposit of £1,000. With the deduction total of £2,094.00 he would be due a refund of £601.33 when retaining the deposit to cover a portion of the deductions. They have also offered a distress and inconvenience payment of £242.19. As such they said, Mr K would receive a payment of £843.52.

Our investigator considered Mr K's complaint. The investigator was of the opinion that Mr K was provided with a car that was not of satisfactory quality, and that Mr K should be entitled to reject the car. As such the investigator proposed what they deemed was a fair and reasonable redress.

Mr K accepted the investigator's findings, but SMF did not. As such the 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.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, the law and, where appropriate, what would be considered good industry practice at the relevant time. Mr K acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. SMF is the supplier of goods under this type of agreement and is responsible for dealing with complaints about their quality.

I have summarised this complaint briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focused on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of the Financial Ombudsman as a free alternative to the courts.

I can only consider actions/inactions of SMF and only the aspects they are responsible for, and I cannot look at certain actions and/or inactions of the dealership which Mr K might be unhappy about. As such, in this decision I only focused on the aspects I can look into. And I am only looking at the events that have been raised by Mr K with SMF, the ones they had an opportunity to address in their 16 May 2025 correspondence.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr K entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory 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. I think in this case those relevant circumstances include, but are not limited to, the age and

mileage of the car and the cash price. The CRA says the quality of the goods includes their general state and condition, as well as other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability.

In Mr K's case the car was around seven years old, with a total cash price of approximately £9,994. It had covered around 80,607 miles. As such the car had travelled a reasonable distance, and it is reasonable to expect there to be some wear to it because of this use. I would have different expectations of it compared to a brand-new car. As with any car, there is an expectation there will be ongoing maintenance and upkeep costs. There are parts that will naturally wear over time, and it is reasonable to expect these to be replaced; And with second-hand cars, it is more likely parts will need to be replaced sooner or be worn faster than with a brand-new car. Hence, SMF would not be responsible for anything that was due to normal wear and tear whilst in Mr K's possession.

The CRA sets out that Mr K has a short term right to reject the car within the first 30 days, if the car is of unsatisfactory quality, not fit for purpose, or not as described, and he would need to ask for the rejection within that time. Mr K would not be able to retrospectively exercise his short term right of rejection at a later date.

The CRA does say that Mr K would be entitled to still return the car after the first 30 days, if the car acquired was not of satisfactory quality, not fit for purpose, or not as described, but he would not have the right to reject the car until he has exercised his right to a repair first – this is called his final right to reject. This would be available to him if that repair had not been successful.

First, I considered if there were faults with the car.

From the evidence on file, I can see that, most likely, there is a fault with the car. The car's main dealer diagnostic report confirms there were faults with the car stemming from loss of power. Also, this was confirmed in a video from the garage. In addition, the independent inspection from 22 April 2025, after the supply dealer had it for repairs, also confirms the car was still suffering from elevated carbon levels and there was a noticeable power drop during a road test.

Based on all the above, I think the car was, most likely, faulty. But just because the car was faulty does not automatically mean that it was of unsatisfactory quality when supplied. So, I have considered if the car was of unsatisfactory quality when it was supplied to Mr K.

SMF are not disputing that the car was of unsatisfactory quality when supplied and Mr K was allowed to exercise his right to reject the car. As such, I will not spend a lot of time on this, however, for completeness I will say that considering the age, mileage, and the price of the car I think, most likely, based on the evidence on file I think the car had a fault that was present or developing at the point of supply. The diagnostic that was performed by the main dealer showed that the recorded fault was present right before Mr K took supply. It seems that this issue was, most likely, linked to the fault the car experienced when it went for a repair to the supplying dealership. Considering that the supplying dealership had an attempt at a repair, and the independent report later concluded that the car still had the fault - suffering from elevated carbon levels and there was a noticeable power drop during a road test – I think it is not unreasonable that Mr K was allowed to exercise his right to reject the car.

Therefore, I think SMF should end the hire purchase agreement. I understand that the car has been collected, and I do not think it is reasonable that SMF charge Mr K for the collection of the car.

Mr K has been able to use the car, so I think it is reasonable he pays for this use. As such, SMF can keep all monthly repayments that were made, and due, up until 1 May 2025. It was on that date that Mr K stopped using the car, as he did not feel safe in it. I think this was reasonable considering the circumstances.

SMF should also refund Mr K a proportion of the payment he made while the car was being repaired. I understand that the repairs took approximately two weeks and during that time he was not kept mobile in a courtesy car. As such, it is only fair and reasonable that they refund this to him.

In addition, SMF should also refund Mr K the deposit of £1,000.

Mr K has asked for other losses to be refunded to him such as the cost for a diagnostic report in the amount of £235.98 and a further diagnostic report in the amount of £216. Mr K incurred these because SMF supplied him with a car that was of unsatisfactory quality. As such, upon proof of payment, I think it is fair and reasonable that he is reimbursed for these costs.

Mr K also asked for other costs to be refunded to do with alternative transportation. I know that later Mr K agreed with the investigator that these no longer need to be refunded as he accepted the investigators' view, however, for completeness I will say that I also do not think it would be fair to ask SMF to refund those additional costs. I say this because I am already asking SMF to refund him payment from 1 May 2025 when he had no use of the car and it would have been reasonable for Mr K to mitigate his circumstances when arranging alternative transport from then onwards.

SMF should also add interest to the refunded amounts from the date of each payment until the date of settlement. Interest should be calculated at 8% simple per year.

Any adverse information should be removed from Mr K's credit file, and the credit agreement should be marked as settled in full on his credit file, or something similar, and should not show as a voluntary termination.

Mr K has mentioned this situation had an impact on him and had caused him a lot of distress and inconvenience while trying to resolve it. Mr K has explained, in great detail, how this has impacted his life. He said SMF caused delays in updating his credit file and settling the redress, as per their correspondence, which made it not possible for him to acquire a replacement car. Also, he had to take the car to the garages and spend a significant amount of time trying to resolve this issue. I think Mr K would not have experienced all of this, had SMF supplied him with a car that was of a satisfactory quality. As such, for the same reasons as mentioned by the investigator, I think it is only fair and reasonable that SMF pay him a total of £350 in compensation for the distress and inconvenience caused.

SMF have told us that when the car was returned to the supplying dealer, there were damages that would be considered to be outside of normal wear and tear. SMF have provided us some pictures and an estimate for what they want to charge Mr K. SMF are adamant that I should consider these under this complaint. I have thought carefully if these should be considered here. I should state that I do not think it is fair or reasonable, based on the specific circumstances of this case, to consider those damage charges as part of this complaint. I say this for a few reasons.

First, I want to make it clear that I am not disputing that SMF might be able to charge Mr K for damages that would be deemed to be outside of fair wear and tear, especially as Mr K's agreement does state that he was obligated to keep the car in good repair and condition.

However, there are reasons it would not be fair to consider them in this decision due the specific circumstances of this particular complaint.

Following collection of the car, Mr K has told us that SMF have not actually issued an invoice to him for the damages they deem to be outside of fair wear and tear. They have not provided him with pictures, amounts they want to charge, and how they have arrived at why it is reasonable for them to charge for the individual damages they have found on the car. They have not given him the time to dispute these and a fair amount of time for him to provide any further evidence he may wish to provide, if he chooses to dispute them.

If SMF issue an invoice to Mr K for any end of contract damages that they deem are chargeable and Mr K disputes these, it is only fair that then he would be able to raise this as a new complaint with SMF, in the first instance. SMF would then need to investigate Mr K's concerns regarding the further charges being raised and issue their final response accordingly. Mr K would be able to refer a complaint to our service at that point, if he remained unhappy.

It is not to say that I definitely cannot consider the damages for charges under this complaint, I just do not think it is fair. I say this for the reasons I mentioned above and for the fact that Mr K has already been waiting a significant amount of time for a resolution. For SMF to now cause even further delays would go against the CRA principles of providing a remedy to Mr K without causing significant inconvenience to him; And when coming to this conclusion, I have also taken into consideration what Mr K told us about how the delays have affected him. He said SMF caused delays in updating his credit file and settling the redress, as per their correspondence, which made it not possible for him to acquire a replacement car.

As such in this complaint I am dealing only with the issues Mr K raised with SMF and only the issues they had a chance to address in their final response letter to him, dated 16 May 2025. We are a fair, quick, and informal resolution service and, based on the specific circumstances of this complaint, I do not think it would be reasonable for me to consider those damages at this stage. For clarity, if SMF do end up deducting any amounts for damage they may deem to be outside of fair wear and tear from their redress, then Mr K may be able to raise a separate complaint if he disagrees with any such levied amounts.

My final decision

For the reasons given above, I direct Specialist Motor Finance Limited to:

1. End the hire purchase agreement without charging Mr K for the collection of the car;
2. Keep all monthly repayments that were made and due, up until 1 May 2025, except for a proportion of the payment he made while the car was being repaired (approximately two weeks equivalent). All other monthly repayments made after 1 May 2025 should be refunded;
3. Refund the advance payment of £1,000 to Mr K;
4. Upon proof of payment refund Mr K the cost for the two diagnostic reports he paid for;
5. Add 8% simple interest per year to all refunded amounts, from the date of each payment to the date of settlement;
6. Pay Mr K a total of £350 compensation for distress and inconvenience caused;
7. Remove any adverse information recorded on Mr K's credit file in relation to this credit agreement. 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 Specialist Motor Finance Limited considers that tax should be deducted from the interest element of my award, they should provide Mr K 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 K to accept or reject my decision before 20 January 2026.

Mike Kozbial
Ombudsman