

The complaint

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

When I refer to what Mr P has said and what Motability have said, it should also be taken to include things said on their behalf.

What happened

In early September 2024 Mr P was supplied with a new car via a hire agreement with Motability. He paid an initial payment of £499, and the agreement was for 39 rental periods of four weeks, with his allowance of £303 being the four-weekly payment.

In November 2024 Mr P started experiencing intermittent problems with the car such as the car cutting out or the screen failing. Neither the supplying dealer nor the breakdown service could diagnose the fault with the car.

As Mr P was not happy he complained to Motability. On 23 July 2025 Motability issued their final response. They were prepared to cancel the agreement on the basis of loss of confidence. They agreed to waive the standard cancellation fee, refund Mr P's upfront payment and pay £260 compensation. Mr P felt he was entitled to a full refund of his payments, so he complained to us.

On 8 October 2025 our investigator issued their view of the complaint. They upheld Mr P's complaint. They felt that as the car was new there was an expectation of it being of a higher quality. It was accepted by both parties that there was a fault with the car and as the dealer had not been able to repair the car, this made it not of satisfactory quality. As Motability had agreed to cancel the contract, the investigator felt they were accepting the car was faulty. Our investigator did not feel that Mr P was entitled to a full refund of his payments, as he had had usage of the car, but felt a 10% refund was a fair resolution.

Motability did not agree with the investigator's view. They did not agree that the car was of unsatisfactory quality. They had cancelled the agreement because of loss of confidence not because of any fault. In forgoing the cancellation fee, refunding Mr P's full advanced payment and providing £260 compensation they had been more than fair.

Because Motability did not agree with the investigator's view it has been passed to me.

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 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 P 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) is of particular relevance 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". The CRA says the quality of goods is satisfactory if they meet the standard that a reasonable person would consider satisfactory taking into account any description of the goods, the price and all the other relevant circumstances. So it seems likely that in a case involving a vehicle, the other relevant circumstances a court would take into account might include things like the age and mileage at the time of sale and the vehicle's history.

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

So, if I thought the vehicle was faulty or not fit for purpose when Mr P took possession of it and this made the vehicle not of a satisfactory quality, it'd be fair and reasonable to ask Motability to put this right.

As I said I will need to consider whether the car supplied to Mr P has a fault and whether any fault made the car not of satisfactory quality. This decision will be made on the balance of probabilities.

There is lack of evidence, such as an independent garage report, for me to review, so I need to consider the experience of Mr P. As Mr P was supplied a new car he can rightly expect it to be of a higher quality and relatively free of faults. Mr P has stated that he started to experience issues with the car in November 2024 and I have no reason to doubt what he has said. The car has been recovered by a breakdown service and this is further evidence to support the fact that there is fault, albeit intermittent, with the car. Whilst Motability have stated that they have cancelled the agreement because of loss of confidence, the fact that they have deemed it necessary to cancel is evidence that there is acceptance that there is an issue, even if it is not accepting that there is fault. They have provided compensation to Mr P over and above cancelling his agreement. In their response to us on 12 September 2025 they state that this compensation was in recognition of inconvenience caused by the intermittent issues. I am therefore content that on the balance of probabilities there is fault with the car.

A car being faulty does not necessarily mean that it is of unsatisfactory quality. The fact that the car was new at the time of supply means that I am holding it to a higher standard than a second-hand car. Mr P states that he started experiencing issues in November 2024, within two months of the car being supplied. The CRA is clear that where faults are discovered within the first six months the onus is upon the business to show that the fault was not present or developing at the time of supply. As I stated earlier there is no compelling evidence, such as an independent garage report for me to consider, so I am content that on the balance of probabilities the car supplied is of unsatisfactory quality.

So what does Motability need to put matters right. Given that the dealer has not been able to replicate the intermittent fault or rectify it means that terminating the agreement with nothing further to pay by Mr P is part of a fair resolution. I note that Motability have already done so. I would also expect Mr P's initial payment to be refunded and again Motability have already done this.

In terms of any additional payments to Mr P from Motability there are two things to consider. Any refund due to loss or impaired usage and compensation for distress and inconvenience. Dealing with the second element first I note that Motability have already offered £260

compensation and this is roughly in line with what we as a service would have recommended.

The last element is any payment for loss of, or impaired, usage. Our investigator recommended a refund equal to 10% of monthly rentals. It is clear that Mr P was able to use the car regularly and with minimal impact on his ability to use. However the intermittent nature of the fault meant that there were times when Mr P was unable to use the car and it clearly impacted on his confidence in the car. I believe that the investigator's recommendation is a fair resolution.

Putting things right

I uphold Mr P's complaint against Motability and to put things right they need to:

- Pay a refund equal to 10% of the payments made by Mr P from the start of the agreement to when the agreement was cancelled
- Pay 8% simple interest per year on all refunds from the date of payment to the date of settlement

My final decision

My decision is that I do uphold this case and Motability Operations Limited. In order to settle this case they are directed to follow the redress above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 18 January 2026.

Leon Livermore
Ombudsman