

The complaint

Miss H complains about the quality of a car supplied to her by Specialist Motor Finance Limited (“SMF”).

What happened

This case has been ongoing for a long time now, so I will summarise the key issues below to explain how we have reached the point we are at now. It’s also important for me to highlight that as this has been ongoing for so long, that I don’t intend to comment on every item involved, as reaching a final resolution is more important here to draw a line under things. There may be slight issues with the timeline presented below, but these don’t mean the overall resolution is unfair, and I’d ask both parties to consider this when responding to this provisional decision.

Miss H acquired a used car from SMF in December 2023. The car was approaching six years old and had covered around 48,000 miles when it was supplied. Miss H has told us that in February 2024, less than three months after supply, the engine seized, and she had to have the car recovered. Miss H had conversations with the supplying dealership, as well as her introducer and finance broker to try to resolve things before SMF were involved.

The supplying dealership offered to try to find an alternative car for her, before apparently realising that Miss H wasn’t going to be re-approved for finance. Miss F explained that she was being told the car couldn’t be diagnosed without being stripped down at considerable cost to her (she says she was quoted £2,000), but no resolution was being presented by the supplying dealership, so she reluctantly went ahead and had the engine stripped to diagnose the issues.

After the engine was stripped and diagnosed, the supplying dealer offered for her to unwind the agreement, but insisted that to do this, the engine had to be in the car, which was going to cost her a large amount now to arrange as it was stripped down at this point. The supplying dealer also offered her £3,500 towards the cost of repairs, for which she’d been quoted £7,500.

With no clear right way to continue, Miss H decided to continue to get the car repaired. Alongside this, she was in conversation with the various parties involved including the broker, who had suggested that they could sort things out and get the repairs paid for, but having seen a lot of email correspondence, it’s clear that things were being promised and then withdrawn, and it was not clear how this was going to be resolved. A complaint had been finally raised with SMF in May 2024.

For various reasons including the above arguments/discussions, the car was not returned to Miss H repaired until December 2024. My understanding is that by January 2025, repairs had totalled £9,521.55, and the supplying dealership had contributed the £3,500 promised, leaving Miss H with bills totalling £6,021.55.

These costs include further repairs in January 2025, totalling £1,826.55, as there were issues including with the steering column electrics, and a refit of the turbo due to incorrect

fitting. Miss H had to pay for these.

An investigator here investigated the complaint against SMF and gave their opinion in February and then again in March 2025. At this point, they felt that Miss H should be refunded for the repair costs and be able to reject the car due to the further issues present in January 2025.

Miss H accepted this, but SMF didn't, and the case was queued for an Ombudsman to make a final decision. Before this happened, Miss H said she was having further problems with the car, and it transpired that she had been using the car all year and added considerable mileage to it. In an AA report she's shared with us from recently, I can see the mileage was approaching 70,500. She's told us that she had no choice but to use the car as she had no other funds to buy another car and no alternative means of transport.

The investigator gave a further opinion, saying that it was now not fair to reject the car, as she had chosen to use it and had considerable use of it, so SMF should refund her for the repairs, but she now couldn't reject the car. Neither party accepted this, so the case has come to me for a final decision.

I issued a provisional decision on 7 November 2025 which said the following:

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 broadly agree with the last opinion given by the investigator but feel this now requires further clarification and a final opportunity for either party to comment. 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 H 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, SMF 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 SMF can show otherwise. But where a fault is identified after the first six months, the CRA implies that it's for Miss H to show it was present when the car was supplied. So, if I thought the car was faulty when Miss J 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 SMF to put this right.

None of the parties involved are disputing that the car was of unsatisfactory quality when supplied. The engine has seized after around three months, which as described above,

means SMF are responsible unless they can prove the fault wasn't present or developing at the point of sale. SMF have said that they offered to take the car back as a rejection, but didn't authorise the consumer to carry out repairs, but I don't agree this is how things happened when you take into account the time it took SMF to become involved and the discussions with both the supplying dealership and the broker involved. But I do agree the car was of unsatisfactory quality when supplied.

As described in the events above, there was no offer to process the car as a rejection which didn't leave the consumer out of pocket by several thousand pounds, either for diagnosis which the supplying dealership wrongly insisted on, or for putting the engine back together in the car after this. As such, I am unclear what SMF feels the customer should have done at this point, as the responsibility was solely SMF's (and their broker's) to prove the car was of satisfactory quality when it was supplied, yet the broker has tried to move the responsibility onto Miss H here by asking her to get it diagnosed to prove it was unsatisfactory quality.

At the point in March 2025, when the investigator here said SMF should refund Miss H for the repairs, and process the car as a rejection, I feel that might have been fair if the car wasn't being used. However, what has transpired is that Miss H has gone on in 2025 and used the car, she says while there was an engine management warning light on, for the whole of this year. She's argued that she had no choice as she had no funds to get another car or to pay for transport. But she hasn't made any payments to this agreement with SMF since March 2024. This includes all of 2025, when she's had the car, used it, but not been paying for it. The monthly payments due are almost £607 a month, so I don't agree that she's had no money for transport, when she's not been paying the £607 a month for the last 10/11 months, while in possession of the car and while using the car.

SMF are wrong in their interpretation of the circumstances in 2024. They have claimed she wasn't authorised to repair the car, but I would point out that neither they, nor their broker the supplying dealership, offered Miss H any significant support to resolve things at all, fairly or not. Alongside this, the broker did offer a part contribution towards repairs. SMF have argued this was a goodwill gesture, but I don't agree. It would appear to be an attempt to persuade Miss H to repair the car at less than the full cost to them, and at no point does the CRA talk about paying "something" towards repairs as being a fair resolution. As such, Miss H was forced to make her own decision about what to do without a fair offer or support from SMF or their broker, as to how to put things right.

But then in 2025, Miss H has chosen to continue to use the car, despite asking to give it back as she felt it wasn't fit for purpose, and she hasn't paid to use it. This has led according to Miss H to further problems with the car. I am satisfied that her decision to use the car this year acts as her acceptance that it's been repaired and replaces any need to reject it.

The only way I can see to fairly resolve this now is to draw a line at the date 11 January 2025. Before this point, SMF are responsible for the issues with the car and should refund Miss H for the repairs she had to undertake, as well as writing off the arrears for payments while she couldn't use the car in 2024. This includes the major repairs undertaken in 2024, plus the follow up issues they are aware of in early 2025.

But after this date, Miss H made the choice to continue to use the car and is broadly responsible for things since. If she has further concerns, she will need to engage with SMF, and as it has now been more than six months since the car was supplied, she will have to provide proof that any issues with the car now were present or developing at the point the car was supplied, or prove that the car hasn't been durable, if she expects SMF to deal with them or compensate her in any way.

To be clear, I will not be considering any further issues with the car since 11 January 2025 as part of this complaint, so Miss H will have to complain again to SMF about these if she chooses to and give them the opportunity to investigate these concerns.

I also think it's fair for SMF to deduct any arrears from monthly payments not made in 2025 which haven't been paid by Miss H, at the same time as refunding her for the repairs from 2024/January 2025, as she's clearly had full use of the car in 2025, and not paid for it.

But arrears from March to December 2024 inclusive should be written off/refunded by SMF as the car was not able to be used, due to being supplied in an unsatisfactory quality state, and then delays caused largely by SMF and its brokers in arguing about who was responsible for paying for repairs, so the car could be returned to Miss H. Included in this is a payment made by Miss H in March 2024, after the car had failed, which should be refunded to her as part of these calculations.

All refunds should be calculated by SMF including simple interest at 8% from the date of payment until the date they are refunded, and once this calculation is done, they can deduct monthly payments owing by Miss H from the January 2025 payment onwards, until the date of settlement. Miss H will then be responsible for making monthly payments on an ongoing basis for the car after that.

Miss H has asked for refunds for car tax while the car was in for repairs, but I won't be recommending this. It remained her responsibility to both tax and insure the car, so I don't think SMF should have to refund these amounts.

SMF have argued that Miss H was offered a rejection of the car originally but chose herself to go ahead and try to get it repaired. I think this is an attempt to oversimplify the issues and it's an argument I don't accept. As soon as the supplying dealership offered Miss H £3,500 towards repairs, they are accepting that she can try to repair the car. If a rejection was the right course of action, which I think all parties might agree now with hindsight that it was, then it would have been fine for SMF/their supplying dealer to say that is their only offer, because repairs aren't economical.

This isn't what happened, and I wouldn't expect a consumer to be able to understand the nuance of the CRA here to work out what should happen or what they should do when given conflicting options, and told if they take one option (rejection), it's going to cost them money having had to pay to diagnose/put the car back together, or if they accept the other (repair), they won't be getting the full amount for repairs.

Putting things right

As I've said, I think both parties have made errors here, and the resolution I am proposing is I believe the best available now to bring this to a close.

- 1. I've looked through the repair invoices and can see that in our views from the investigator, we've double counted some of the invoices Miss H has paid, so the amounts SMF need to refund are as follows:*
 - Invoice dated 15 November 2024 from Allied engines was £7695, less the £3500 already contributed by the dealer, leaves **£4195** to refund to Miss H.*
 - Invoice dated 6 January 2025 to Swallows Spares was **£1326.22**.*
 - Invoice dated 10 January 2025 to Swallows Spares was **£500.33**.*

- 2. On top of this, as previously recommended, I think SMF should pay Miss H £450 for*

the distress and inconvenience caused here by the supply of an unsatisfactory quality car.

- 3. And as a reminder, Miss H should be refunded her monthly payment made for March 2024 when the car was off the road awaiting repairs.*

All refunds should include simple interest at 8% from the time of payment until the time of settlement. If Miss H feels there are any further refunds she is due up to 11 January 2025, I invite her to send details along with proof for me to consider before issuing a final decision. But I have looked through everything sent so far so she doesn't need to re-send things we've already had.

- 4. Before refunding these amounts, SMF can deduct the arrears for monthly payments due for January 2025 onwards, as Miss F has had the car and been using it throughout 2025. But as said, they should write off all arrears from 2024, when the car was not working and awaiting repairs.*
- 5. SMF should also remove all negative information from Miss H's credit file up to the point this redress is carried out. Clearly, if further money is owing, or becomes owing, SMF can deal with this as normal after giving her a fair opportunity to pay it.*

I suspect the total amount of monthly payments since January 2025 may broadly cancel out the refunds owed, but I'd expect SMF to outline the calculations to Miss H whatever the outcome is. And as I've said previously, any issues Miss H has with the car from 11 January 2025 onwards, she will need to complain again to SMF to give them a chance to answer these issues.

My provisional decision

At this stage, I intend to uphold the complaint and ask SMF to do the above to put things right. I'll listen to any further comments or review any further evidence after the deadline detailed at the start of this provisional decision before issuing my final decision.

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.

Both parties have responded to this provisional decision disagreeing with it. I feel like a lot of the points they have made were covered in the provisional decision, but I will answer the key ones below. I'm not persuaded that anything changes my mind about the provisional decision being the right outcome, as I'll explain below.

SMF have argued that Miss H was offered rejection originally and the offer towards repairs was simply a "goodwill gesture" by the dealership, so they shouldn't be liable for repair costs. Had there been no offer to pay towards repairs, and no discussions about whether Miss H would be able to get new finance, I would agree with this.

But what's happened is that the dealership has offered her rejection of the car, then told her that she won't get new finance approved, then offered her money towards the repairs elsewhere. The dealer also agreed to pay for her towing costs to send the car to another garage for repairs, which isn't the actions of a party insisting on rejection only and not authorising her to repair the car. The parties seem to be trying to rely on a technicality here, that they offered rejection, and only offered a "goodwill gesture" towards repairs despite telling Miss H this was a bad idea. Their actions don't back up this argument, as they did pay to transport the car elsewhere for her to get it diagnosed/repaired.

That is another important point to recognise. All parties have told her it needs to be diagnosed first, so they didn't actually tell her what was wrong. But then no party actually diagnosed it, they just said she could reject the car. I would also argue that it feels like she was induced into trying to repair the car by circumstances which appear to be showing her she won't get another car if she hands this one back.

And fundamentally, as I will go on to describe below, SMF haven't said anything to Miss H. They weren't invited to answer the complaint by any of their broker's when it was raised, and Miss H has been left with a faulty car, not knowing what to do. And ultimately, once they became aware of the complaint and problems, they've still never issued a final response letter at any point in 2024 to Miss H.

The right course of action would have been to offer rejection as her only course of action, explained it wasn't economical to try to repair, and not offered to contribute to repair costs. If that had happened, I'd agree that the right outcome was offered, and repairs weren't authorised in any way. But that isn't what happened.

Alongside this, Miss H has explained that she was told that after trying to get the car diagnosed, she'd have to pay a considerable amount to put it back together before a rejection could be proceeded with. And she's told us she was told that she would have to pay for putting the car back together. Apart from anything else, this makes no sense, as the car would not be sellable until repaired, so why it needed to be reinstated seems a strange request.

I would also again highlight the convoluted nature of Miss H's dealings here with a variety of parties. At no point that I've seen was she made clearly aware to deal with SMF, who are the supplier of the car. She's dealing with the dealership/broker, she's spoken to one of the other broker's involved, she's then spoken to another broker involved, and I've seen no evidence that any of these parties told her with any clarity that she needed to deal with SMF, or that they were acting and advising her on behalf of SMF. It was the end of May 2024 before she was advised to speak to SMF, having broken down in February 2024.

SMF then didn't answer her complaint within the eight-week time period, so she brought her complaint to our service. We were the fifth organisation she'd tried to speak to get help sorting this out in 2024. None of the organisations had given her a clear message, and none of them had advised her to speak to SMF until the end of May 2024.

In SMF's notes, I can see that they initially made contact in June 2024 to try to work out what was happening, but by September 2024 they seemed no closer to this, and were going between the supplying dealer, the broker or brokers involved, and the garage who were holding the car to repair it. No final response letter (FRL) was issued to Miss H in this period, so she still had no clear indication what they thought, or what she could or should do.

It's important to highlight that any conversations between Miss H and the supplying dealership in the first two to three months after the car broke down don't appear to have been relayed to SMF at the time. The first note on SMF's system is at the end of April 2024, so despite being the supplier, none of the other parties involved has involved SMF in their discussions about trying to resolve the problems.

I don't think a consumer can be expected to just understand that the car was actually supplied to them by the finance company. They went to the dealership to see the car, negotiated a price, signed all the paperwork with the dealership. It's normal to assume the dealership are the responsible party here. But under the law, they aren't, it's SMF who were responsible for putting things right. The whole process had clearly gone wrong long before any other party even involved SMF. And I am satisfied that all the other brokers involved

would know that ultimately, SMF are responsible here, so SMF should be informed about what's going on.

As such, I am still satisfied that Miss H was left in 2024 with an impossible choice. She was told she wouldn't get new finance if she gave the car back and ended the agreement and would have to pay to have the car put back together, and the supplying dealership offered her money to try to repair the car. Nobody involved SMF, and even when they became involved, they didn't issue her with an FRL to explain what rejection would involve and give her rights to refer her complaint to our service. She was left to work all this out herself. I'm not persuaded this was fair, and I am satisfied therefore that as I described in my provisional decision, SMF should be responsible for her repair costs through to January 2025.

To be clear for SMF, I don't view these repairs in 2024 and January 2025 as unauthorised repairs, because I've seen no evidence that Miss H was told she couldn't repair the car. In fact, what I've seen from the brokers is discussions about repairing it, contributing towards those repairs, paying to transport the car to the third-party garage to undertake those repairs. Only after they were complete are the broker trying to rely on an original offer to process a rejection. That doesn't feel like fair behaviour. And I'd highlight again, none of this came from SMF, who are the only party authorised to agree things as the supplier of the goods. They gave Miss H no answer at any point to her complaint.

I'm satisfied that the repairs following the original engine failure includes the repairs in January 2025. Miss H still hadn't received an FRL from SMF by this point or any meaningful contact, and it would be fair to say, communications of any sort had broken down other than with our service. I'm satisfied that the repairs in January 2025 were to complete repairs based on the engine failure from 2024, and while I accept that they were in addition to the repairs to the engine in 2024, I'm not persuaded that they were failed repairs from that, or issues caused by the repairing garage in 2024.

Miss H has also disagreed with the provisional decision and sent me her thoughts. She thinks it unfair that originally, she was told by our service she could get her costs back for repairs, and then could reject the car, but now she can't. I'll explain why I feel this is the only fair outcome now.

The best outcome all around here would have been for her to reject the car originally when it broke down, before attempts to repair it. If she had been referred to SMF as the supplier of the car originally, I'd hope that would have happened, and she would have proceeded on that basis. But because she was pushed from pillar to post, having to deal with the supplying dealership, then one broker, then another broker, she was not given any clear and fair advice or recommendations in 2024.

She also proceeded with repairs without getting agreement for all the costs to be covered and then proceeded with further repairs in January 2025 without authority from SMF or any other party involved. But as I've said, because she's not been given any support by the relevant party (SMF) to navigate these issues, I am satisfied these costs should be refunded to her.

But then, once the car was fixed in January 2025, she didn't start paying for it again. I appreciate that she's said she had no money as she'd paid for repairs, but that still means she'd owe the money for using the car throughout 2025. If her usage had been minimal/occasional, I'd potentially still consider whether she could reject the car, but it wasn't. The mileage for the car was around 48,000 when supplied, and around 53,500 when it broke down. In October 2025 this had moved on to over 70,000 miles, so Miss H has used the car considerably in the 9-10 months of 2025, adding over 16,000 miles it would seem.

Fair usage for a car is always something that different parties feel should be different. Our service tends to use a starting point of making a monthly payment for every month of usage, and in this case, I'm satisfied that that is fair.

After the car has had so much spent to repair it, and been used so heavily in 2025, it isn't fair to consider rejecting the car now. She's had repairs, they are being refunded, and she's then gone on to use the car heavily through 2025 and not paid for this. I'm satisfied that that equates to her accepting the car in 2025 as being of satisfactory quality, so I won't be reconsidering this.

It's now two years since the car was supplied to her, and the only fair outcome here is for her to keep the car, and deal with any ongoing issues as such. As I said, if she feels the car is still of unsatisfactory quality, she can complain again to SMF, but the emphasis now will be on her to prove that two years into her ownership, any faults were present or developing at the point the car was supplied.

Miss H feels it's unfair because she wasn't told to not drive the car in 2025. The point is that it's not fair to SMF for her to use it heavily all year, without paying for it, and then expect to give it back. SMF as the supplier are not indefinitely responsible for any problems with a car. The car was of unsatisfactory quality when supplied, and she was offered the chance to give it back and end the agreement. She wanted to repair it, and therefore keep it, and went down that route, and now is in that position. It now wouldn't be fair after being able to use it throughout 2025 for her to be able to revert to rejecting the car based on what happened in 2024.

Miss H has also said she feels the car is of unsatisfactory quality still. The complaint I am answering is based on what happened in 2024, and I agree, the car was of unsatisfactory quality when supplied. But fair resolutions to this are either rejection, which she didn't want to do, or repairs, which happened, and which I'm now saying SMF should pay for. Once the repairs were complete, Miss H is then responsible for the car again, including paying for it, and it's assumed it's of satisfactory quality unless she can prove different.

Miss H also doesn't feel the £450 offer for distress and inconvenience is a fair amount to reflect her journey. I'm sorry she doesn't feel it is, but I'm satisfied that based on our service's approach, this is a fair amount.

Miss H feels that the cost of repairs means this isn't fair as she can't afford another car. She signed an agreement to pay over £600 a month for this car. She hasn't made a payment since March 2024, which roughly equates to something around £12,000 in payments now. She hasn't paid anywhere near that much for repairs, so I'm not persuaded that she's worse off after what's happened. She's had a car and used it for all of 2025, so the payments for that can be deducted from any repair refunds to recognise her fair usage this year. She doesn't have to make any payments for the car for March 2024 to December 2024 inclusive when the car wasn't working, so she had to make other arrangements for transport during that period. I'm satisfied that is the only fair outcome here.

I'd also point out to Miss H that some of her costs she's sent in for 2025, which I don't believe SMF are responsible for as part of this complaint, are costs for ongoing maintenance and servicing. The costs are high, but these are the expected maintenance costs a customer must cover for a car like this on an ongoing basis. This is the kind of information I'd expect a customer to make themselves aware of before entering an agreement to buy a car, so I'm not persuaded they are things SMF are responsible for.

Miss H has made points about not being able to get tax refunded as the dealer didn't send her the logbook until recently. This doesn't form part of this complaint, so if she feels

unhappy about this, I'd advise her to raise a further complaint about that to the dealer. But fundamentally, taxing and insuring a car is part of the ownership, and I won't be making any recommendations here about refunding any of that, as it should be done to ensure the car is insured as part of the agreement she entered.

I understand both parties don't think this is a fair outcome, but the outcome each party wants also wouldn't be fair to the other, and all parties have made mistakes here. I am satisfied that what I've proposed is the overall fairest outcome here to a bad situation where none of the parties involved have got things right.

Putting things right

I instruct SMF to do the following to put things right here:

- Work out a refund amount for Miss H for repairs carried out in 2024 and January 2025 as follows:
Invoice dated 15 November 2024 from Allied engines was £7695, less the £3500 already contributed by the dealer, leaves **£4195** to refund to Miss H.
Invoice dated 6 January 2025 to Swallows Spares was **£1326.22**.
Invoice dated 10 January 2025 to Swallows Spares was **£500.33**.
- Miss H should be refunded her monthly payment made for March 2024 when the car was off the road awaiting repairs.
- Calculate simple interest at 8% on the refunds above from the date of payment to the date of settlement.
- Before refunding these amounts, SMF can deduct the arrears for monthly payments due for 1 January 2025 onwards, as Miss F has had the car and been using it throughout 2025.
- But as said, SMF should write off all arrears from March 2024 to December 2024 inclusive, when the car was not working and awaiting repairs.
- SMF should also remove all negative information from Miss H's credit file up to the point this redress is carried out. Clearly, if further money is still owing after this, or becomes owing, SMF can deal with this as normal and report it to the credit reference agencies after giving her a fair opportunity to pay it.
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- On top of this, as previously recommended, I think SMF should pay Miss H £450 for the distress and inconvenience caused here by the supply of an unsatisfactory quality car.

My final decision

I am upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 8 January 2026.

Paul Cronin

Ombudsman