

The complaint

Miss R complains that a car supplied to her under a hire purchase agreement with Toyota Financial Services (UK) PLC trading as Toyota Financial Services (TFS) was of an unsatisfactory quality.

What happened

I issued a provisional decision setting out what I thought about Miss R's complaint. I've copied the relevant parts of that provisional decision below – and they form part of this final decision.

“In January 2024, Miss R was supplied with a used car through a hire purchase agreement with TFS. The cash price of the car was £15,603, and Miss R paid £895.63 by part exchange. The amount of credit under the agreement was £14,707.37, to be paid over a period of 60 months; with 59 monthly payments of £315.31 followed by a final payment of £316.31. At the point of supply, the car was around five years old and had travelled around 40,000 miles.

In November 2024, Miss R noted a dashboard warning light and that the car was running poorly. She took the car into a local garage. She says she also contacted TFS and the dealership to ask for assistance, but they didn't offer to help. Her garage inspected the car and concluded that the intercooler had leaked into the engine port and damaged the internal components. They recommended replacing the engine in its entirety and quoted to repair the car at a cost of £10,266.67.

Miss R says she relied on the car for work and couldn't be without it, so borrowed funds from family to pay for the repairs. She felt the engine failure demonstrated that the car wasn't of a satisfactory quality when it was supplied, and asked the dealership to contribute toward the cost. The dealership didn't accept liability for the repairs. In summary, it said it hadn't been given the opportunity to inspect or diagnose the car. It also noted that the engine had failed more than six months after the car was supplied, and that it had passed an MOT two months prior – suggesting that the problem had only developed recently and wasn't present at the point of supply. While it didn't accept liability for the repairs, it offered Miss R £1,000 as a goodwill gesture.

Unhappy with the dealership's response, Miss R complained to TFS. TFS didn't think there was sufficient evidence to suggest that the car had a problem that was present or developing at the point of supply, so felt the dealership's offer was fair. The complaint was referred to this service. One of our Investigators considered the complaint and upheld it. They said that although it didn't seem that a fault was present at the point of supply, the intercooler appeared to have failed prematurely suggesting that it wasn't sufficiently durable. They were also satisfied the dealership and TFS had been given a reasonable opportunity to put right the issue before Miss R arranged a repair at her own cost. They recommended that TFS reimburse the repairs arranged by Miss R in full, with an additional £250 to compensate her for what had happened.

Miss R accepted the Investigator's conclusions, but TFS didn't. In summary, it didn't think

the evidence suggested that the damage was caused by a coolant leak. It said a coolant leak would likely result in overheating, which would have been clear to Miss R at an earlier point prompting her to have the car investigated before the engine failed. It didn't think it should be held liable if Miss R ignored signs of the fault. It thought it more likely that water had entered the engine accidentally – for example when being driven through flood waters. Our Investigator wasn't persuaded to change their opinion, and TFS asked that the complaint be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

What I've provisionally 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.

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 decision on the balance of probabilities – what I think is more likely than not 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 R was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means I can consider a complaint about it.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Miss R 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.

So, if I thought the car was faulty when Miss R 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 TFS to put this right. Here, the car has now been repaired to Miss R's satisfaction. What's in dispute is whether the repairs were necessary as a result of the car being of an unsatisfactory quality when it was supplied.

In this case, the car was around five years old and had travelled around 40,000 miles at the point of supply. I think a reasonable person would expect a car of this age and mileage to have some level of wear and tear, and to expect repairs and maintenance sooner than a newer or less travelled car would. I wouldn't expect the car to be supplied with any significant faults, and I'd expect it to be reasonably safe and durable.

It's not in dispute that the car suffered a catastrophic engine failure in November 2024, and it seems to be accepted by the parties that this was caused by water ingress to the intake manifold. This failure occurred roughly 10 months after the car was supplied – and Miss R had driven close to 10,000 miles in that time. It's clear this wouldn't have been possible if the fault was present at the point of supply, and I'm satisfied this isn't the case. Instead, I've considered whether the failure was due to the car not being sufficiently durable – or caused by something else. If the failure was caused by an external issue unrelated to the inherent quality of the car when it was supplied, TFS wouldn't be liable for that.

Miss R argues that the failure was caused by an inherent weakness in the intercooler, resulting in a coolant leak allowing water to enter the intake ports and valves. TFS says that – while it doesn't dispute that the engine was damaged by water – there's insufficient evidence to show that this was caused by a fault or lack of durability. It says a coolant leak would likely have caused a warning message to display long before the engine became damaged - so it's more likely that water entered the engine through external means such as the car being driven through flood waters.

I've considered both arguments to determine what I find more likely than not on the balance of probabilities. Having done so, I think it's more likely than not that the engine failed due to an internal failure of the intercooler. I'll explain why.

I'll first address TFS' comment that water damage could have been caused by external water. The inspecting garage found evidence of water intrusion internal to the intake manifold. Had the engine been damaged by an external source of water, I'd expect there to be other signs of water intrusion or damage. I asked the garage about this – and they replied: "At time of inspection, no signs of water intrusion in the intake pipes or air filter box/housing were evident." Taking this into account, I find it unlikely that water entered the intake manifold from an external source.

So, given that the coolant levels were found to be low, I find it more likely that there was a coolant leak – which subsequently damaged the engine. I note TFS' comment that a coolant leak would present itself to Miss R before the engine became damaged. Miss R says warning lights only appeared when the engine failed and not before that. While I can't say for certain when the coolant leak occurred, I don't find it implausible that it could have happened suddenly as Miss R describes. The repairing garage also didn't mention other longstanding damage or evidence of overheating in their report.

So I'm satisfied – on balance – that some internal failure with the intercooler caused a coolant leak, which subsequently damaged the engine. From my research, I'd typically expect an intercooler to last significantly longer than six years and 50,000 miles. And I haven't seen evidence to persuade me that the failure occurred due to an external force. I find it more likely that the intercooler failed prematurely because it wasn't sufficiently durable. TFS notes that the car passed its MOT two months before the failure and no problems with the intercooler were noted – but I wouldn't necessarily expect an internal durability issue to present itself in an MOT if the part in question hadn't yet failed.

I don't think a reasonable person would expect a car of this age and mileage to have such a significant durability issue. So, I'm persuaded that the car wasn't of a satisfactory quality.

Putting things right

For the reasons I've explained, I'm satisfied the car wasn't of a satisfactory quality when it was supplied to Miss R. Miss R has already arranged for the car to be repaired and there doesn't appear to have been any problems with it since then. So, what remains for me to decide is whether TFS is responsible for some – or all – of the repair cost.

TFS suggests that it can't be held liable for the full repair cost, as the dealership wasn't given the opportunity to inspect or repair the issue before Miss R arranged to replace the engine. Miss R says she asked the dealership to help – and visited it twice – but it refused. She says she also contacted TFS directly but was directed to the dealership. I haven't seen any direct evidence to show that Miss R contacted TFS – but I think it's likely that had she done so it would have directed her to the dealership in any case.

I've seen emails between Miss R and the dealership, which suggest that she asked for support – and she visited the dealership in person on at least one occasion before going ahead with the repairs. I haven't seen anything to suggest the dealership offered to inspect the car or otherwise support Miss R until after she'd already authorised the repair. There was a period of around two weeks between Miss R first reporting the issue to the dealership and her going ahead with the repair. Given that Miss R needed the car for work, I don't find this unreasonable. I'm satisfied she made reasonable attempts to involve the dealership in the process before the repair took place.

Taking everything into account, I'm reasonably satisfied TFS was given the opportunity to investigate the issue and put things right before Miss R arranged her own repairs. And even if the dealership had inspected the car, for the reasons I've explained I'm satisfied – on the balance of probabilities – that the repairs arranged by Miss R were necessary and would have taken place in any event.

Had the car been of a satisfactory quality at the point of supply, I don't think Miss R would have incurred such significant costs repairing it. The total cost of the repair was £10,266.67. Our Investigator recommended that TFS refund the full amount to Miss R – but I've reached a slightly different conclusion about this. The dealership has already offered – and paid – Miss R £1,000 as a goodwill gesture. Although the dealership didn't specify at the time that this was a contribution towards the repair cost, TFS says it was. Taking all of the circumstances into consideration, I think it's more likely than not that the dealership made the offer with the intention that the funds be put towards the repairs. So, I can't fairly require TFS to reimburse the full amount Miss R paid – as she would effectively be receiving some of the refunded costs twice. Instead, I think TFS should pay Miss R the cost of the repair less the amount already paid by the dealership.

Miss R says she wasn't able to afford the repairs herself, so she borrowed funds from family and has been paying them back. I can see the invoice is addressed to Miss R. In these circumstances I'm satisfied that the costs were payable by Miss R (whether she paid for them directly or will reimburse her family member the funds) – so I'm satisfied those funds should be refunded to her.

It's not disputed that Miss R had no use of the car from the date the fault presented itself to the date of the repair – and I can't see that she was provided with a courtesy car or otherwise kept mobile during that time. So, TFS should reimburse the payments Miss R made towards the agreement during that period.

Our Investigator awarded an additional £250 to reflect the distress and inconvenience caused to Miss R. I intend to award a slightly lower amount. This is because – although the car wasn't of a satisfactory quality and subsequently suffered a catastrophic failure – the fault was diagnosed and repaired within a relatively short period of time. Overall, Miss R was only impacted by the issue for just over two weeks – and I've already told TFS to reimburse the payments she made during that time to reflect loss of use. But she did have to chase the dealership up about this – and eventually had to arrange the repair herself which would have been inconvenient. I think £150 is a fair reflection of the distress and inconvenience caused here, so I intend to say TFS should pay Miss R that amount.”

Responses to my provisional decision

Miss R accepted my provisional decision. TFS said it didn't agree with my provisional decision but had no further information to provide.

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.

As neither party has provided any new information or evidence in response to my provisional decision, I see no reason to depart from it. So, I've reached the same conclusions as outlined in my provisional decision – for the same reasons.

Putting things right

For the reasons I've explained, TFS should:

- Reimburse the cost of the repair arranged by Miss R (£10,266.67), less the £1,000 already contributed by the dealership;
- refund the payments Miss R made towards the agreement on a pro-rata basis for the period from 7 to 23 November 2024 inclusive;
- apply 8% simple interest per annum to the above refunded amounts, calculated from the date Miss R made the payments to the date of settlement[†]; and
- pay Miss R an additional £150 to compensate her for the distress and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality.

[†]If TFS considers that tax should be deducted from the interest element of my award, it should provide Miss R with a certificate showing how much it has taken off so she can reclaim that amount, if she is eligible to do so.

My final decision

My final decision is that I uphold Miss R's complaint. I require Toyota Financial Services (UK) PLC trading as Toyota Financial Services to carry out the directions outlined above.

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

Stephen Billings
Ombudsman