

The complaint

Mr O complains about the quality of a car he acquired under a hire purchase agreement with Black Horse Limited (BH).

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

What happened

In December 2024, Mr O entered into a hire purchase agreement with BH to acquire a car first registered in September 2024. At the time of supply the car had covered 10 miles. The total cash price of the car was £22,902.50. There was also negative equity that Mr O needed to cover as he traded in a car that was worth less than the amount owing on the finance agreement. The negative equity was £1,915.14. On the hire purchase agreement, Mr O entered into to acquire the car in question there were 60 payments, each of £520.94.

Mr O said that in July 2025, after seven months and approximately 4,074 miles travelled, the car broke down on the motorway, leaving his family stranded overnight. The breakdown report confirmed a gearbox fault that rendered the car undrivable, and the garage later identified a separate clutch fault during the repairs. As a result, Mr O was without a car between 18 July and 13 August 2025. During that time, he only had a courtesy car for about four/five days and was without the car for the remainder.

In August 2025, BH wrote to Mr O. BH said £462.43 has been refunded to Mr O on a pro-rata basis for loss of use between 18 July and 13 August 2025. Although Mr O had a courtesy car for four days, BH decided to cover the entire repair period. However, they said they could not reimburse taxi and train costs as these were not solely in Mr O's name, overlapped with courtesy car usage, and could have been mitigated by him hiring a car. BH also confirmed that 8% statutory interest will be applied to the above reimbursement. Additionally, BH said £200 has been awarded for distress and inconvenience caused by the situation, acknowledging the unexpected nature of the issue and the disruption caused to Mr O's plans due to limited car access.

Mr O told us that the issues persisted after the repair. An independent inspection on 8 September 2025 concluded the car had not been repaired to a commercially acceptable standard and indicated that an inherent fault from manufacture or purchase was present. Therefore, Mr O exercised his right to reject the car and has not driven it since 9 September 2025.

In summary, Mr O said he incurred £276 for the inspection and over £850 in transport costs, which he believes should be refunded. He also seeks a full refund of all monthly repayments and at least £500 for distress and inconvenience caused.

Following the above, BH said that they received a report that confirms that the repairs carried out on the car were not completed to a commercially acceptable standard. In light of this new evidence, they said they are prepared to accept Mr O's rejection of the car, to

reimburse him for payments that have been made while the car was not in use, and pay Mr O £300 for the distress and inconvenience caused.

Mr O remained unhappy with the above, so his complaint was considered by us, the Financial Ombudsman Service (Financial Ombudsman).

Our investigator looked at the complaint and upheld it. The investigator was of the opinion that the car was of unsatisfactory quality. In particular, that it was not reasonably durable. They explained what BH should do to put things right.

Mr O disagreed with the investigator. So, 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, good industry practice, the law and, where appropriate, what would be considered good industry practice at the relevant time. Mr O acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. BH 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 very 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 focussed 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.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr O 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 O's case the car was almost brand new, with a cash price of approximately £22,902.50. Given that the car was almost new and considering the price paid, I think it is fair to say that a reasonable person would expect it to be of a higher quality than a cheaper and/or previously used car. I think it would also be reasonable to expect the car to last a considerable period of time before any problems occurred, and it would be reasonable to expect it to be free from even minor defects shortly after it was acquired.

BH is not disputing that the car had faults that rendered it of unsatisfactory quality, so they accepted that Mr O could exercise his right to reject the car. Bearing this in mind, I do not think I have to go into great detail in making a finding on whether the car was of satisfactory

quality. However, for completeness, I will say that given the age, mileage of the car, and the price paid, combined with how quickly Mr O raised the issues, I think most likely, the car was of unsatisfactory quality when it was supplied to Mr O. Considering the faults on the car when it was repaired in July 2025, I think the car was not reasonably durable. The repair failing was confirmed by the independent inspection on 8 September 2025, when the car had travelled a total of 4,558 miles. The independent inspection concluded the car had not been repaired to a commercially acceptable standard and indicated an inherent fault from manufacture or purchase was present. As such, I think most likely, the car was of unsatisfactory quality when supplied to Mr O and, as the repairs had failed, I think it was only fair and reasonable that he was able to exercise his right to reject the car. At the beginning of December 2025 the car was collected by BH, however, now there remains a question of how the redress following the car having been rejected should be settled.

First, I think BH should refund Mr O £276 he paid for the independent inspection, as he would not have incurred this cost, had BH provided him with a car that was satisfactory quality.

Mr O has been able to use the car until 8 September 2025, except for the days between 18 July and 13 August 2025 when the car was being fixed. As such, I think it is reasonable he pays for this use. BH can keep any payment Mr O was responsible for making up until he stopped using the car on 8 September 2025 except for days he was without the car between 18 July and 13 August 2025. Hence, all payments made by Mr O after 8 September 2025 should be refunded to him. Plus, BH should refund him a proportion of a payment he had made for the period between 18 July and 13 August 2025.

I know that between 18 July and 13 August 2025, Mr O had a courtesy car for about four/five days, but I have taken into consideration what Mr O said about this car having limitations on mileage allowed plus considering the inconvenience of having to give this car back after only a short period. In these circumstances, I still think it is reasonable for BH to refund Mr O for the full period between 18 July and 13 August 2025.

I know Mr O said that he deliberately limited the use of the car (approximately 4,000 miles over seven months), consistent with his intention to own it. As such, he feels that he should get a refund of all the payments. However, I think a full refund would be disproportionate and unfair to the business. When thinking about putting Mr O back in the position he would have been in, had he not been supplied with a car of unsatisfactory quality and had purchased a car with similar specifications, I believe most likely, he would have incurred similar payments during the period in question. And, except for the dates mentioned above, Mr O has been able to use the car. As such, I think it is only fair and reasonable he pays for this use.

Mr O has told us that he was using taxis, trains, and hired a car occasionally to keep himself and his wife mobile. BH has raised that some of his and his wife's trips overlapped. I have taken into consideration what both sides have told me around this aspect. However, as I'm already saying that Mr O is not responsible for any monthly contractual payments when he had no use of the car, I do not think it would be reasonable for me to ask BH to refund the taxi, train, or hire expenses Mr O has incurred. When coming to this decision, I have considered that, in certain months, he would have spent less on alternative transport than his monthly payments, while in other months he would have spent more than his contractual payment on the finance agreement. Also, I have considered that Mr O could have done more to mitigate his losses by, for example, arranging car rentals instead of using a taxi which tends to be, on average, more expensive than car hire. Plus, I am only considering the impact of the direct financial loss that Mr O has incurred.

Furthermore, any adverse information should be removed from Mr O's credit file once the negative equity (£1,915.14) has been repaid in full. 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. I think it is only fair and reasonable that Mr O is responsible for the negative equity, as he traded in a car that was worth less than the amount owing on the finance agreement.

BH 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.

I also think that this matter caused Mr O a lot of distress and inconvenience when trying to resolve it. He had to take the car to get it diagnosed and arrange his own transport which, I think, he would not have had to do if BH supplied him with a car that was of a satisfactory quality. In addition, he told us that not having access to his car has significantly impacted his life. As such, I have taken everything he told us, and I think BH should pay him a total of £300, if this has not yet been paid, to reflect the distress and inconvenience caused.

My final decision

For the reasons given above, I uphold this complaint and direct Black Horse Limited to:

1. Refund Mr O £276 he paid for the independent inspection;
2. Refund Mr O a proportion of the payment he made to cover the period between 18 July and 13 August 2025;
3. Refund all payments made by Mr O after 8 September 2025;
4. Remove any adverse information from Mr O's credit file, once the negative equity (£1,915.14) has been repaid in full. 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;
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 O £300 compensation for the distress and inconvenience caused.

If Black Horse Limited considers that tax should be deducted from the interest element of my award, they should provide Mr O 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 O to accept or reject my decision before 27 January 2026.

Mike Kozbial
Ombudsman