

The complaint

Mr G complains that the car he acquired through a hire purchase agreement with STARTLINE MOTOR FINANCE LIMITED ("SMFL") wasn't of satisfactory quality, and he's unhappy with the way in which SMFL has calculated redress.

What happened

Mr G entered a hire purchase agreement in August 2023 to acquire a used car. The cash price of the car was £20,406, and after taking account of the advance payment, the amount of credit provided totalled £14,806. The credit agreement was set up over a term of 60 months, with monthly rentals of £371.24 and if it ran to term, the total amount repayable would be £27,884. At the time of the acquisition, the car was nearly seven years old and had been driven just over 34,000 miles.

The details of this complaint are extensive, but are known to both parties, so I'm only going to summarise the key points here. If I don't comment on something, it's not because I haven't considered it, it's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

Mr G told us:

- Within minutes of ownership the car exhibited major mechanical faults including problems with the turbocharger; the gearbox; and differential issues;
- on the day he collected the car, it broke down on the way home and had to be recovered and returned to the supplying dealership, where the turbos were replaced. He did not get the car back for about four weeks;
- when the car was returned, he noticed a severe exhaust rattle, and his local garage confirmed that the supplying dealership had not properly secured the exhaust and had not completed the vehicle tracking. This was corrected and he received a refund;
- a short time later he discovered an oil leak on his driveway, and an inspection revealed that the gearbox was not properly secured. This was remedied, but he lost two days' work because of this;
- when the car was MOT'd, a differential leak was identified, and he had to pay for diagnostics, losing another days' work. The supplying dealership retained the car for five days, but said it found no faults;
- the turbos failed again, causing contamination throughout the engine;
- an independent inspection 18 months later confirmed that the car was not roadworthy, and SMFL accepted his rejection of it;
- SMFL wants to charge him for his usage of the car – he's driven more than 17,000 miles – but he thinks its charge is excessive and has proposed an alternative usage charge, but SMFL wouldn't accept his proposal;
- he's incurred costs that SMFL hasn't taken account of, and he thinks the monthly payments he's made under the credit agreement should be significantly reduced or waived;
- the whole situation has caused significant financial and emotional stress and affected his well-being.

SMFL upheld Mr G's complaint. It said it had arranged and paid for an independent inspection of the car by a recognised and independent third party. The report had confirmed that *"due to the turbo being previously repaired the liability for the faults will be on the selling dealer"*. It said the supplying dealership had accepted the rejection of the car, and it would now unwind the finance agreement.

SMFL explained that it had *"exercised our right to retain rentals for fair usage of the vehicle. Based on the mileage covered, we have accepted the partial unwind of your agreement and retained 17 monthly instalments"*. And it said it would pay Mr G £300 compensation in recognition of the inconvenience caused.

SMFL told this Service that although it acknowledged that *"the turbo issue resurfaced following repairs completed in September 2023, the vehicle has since been driven approximately 18,000 miles. In line with standard business practice, we advised Mr G that a deduction equivalent to 17–18 monthly rentals would be applied...and where appropriate, a goodwill rebate may be considered"*. SMFL said it was permitted to make such a fair usage deduction where a consumer has had reasonable use of the car prior to rejection.

Our Investigator looked at this complaint and said he thought it should be upheld. He explained that based on the miles driven since he acquired the car, Mr G should pay something to reflect this. But he didn't think that SMFL's offer to refund four monthly payments was sufficient, and he asked it to refund four further monthly payments.

Our Investigator also asked SMFL to reimburse Mr G for some of the costs he'd incurred for diagnostics as well as the deposit he'd paid when he first acquired the car. And he asked SMFL to pay an additional £150 in compensation.

SMFL did not agree, so the complaint comes to me to decide. It said Mr G had driven the car since August 2023 and had sustained usage of it and he should pay to reflect this.

My initial conclusions are set out in my provisional decision which I issued in December 2025. In it, I said I thought that Mr G's complaint should be upheld, and I explained my reasoning as follows:

"As the hire purchase agreement entered into by Mr G is a regulated consumer credit agreement this Service is able to consider complaints relating to it. SMFL is also the supplier of the goods under this type of agreement, and it is responsible for a complaint about their quality."

"When considering what's fair and reasonable, I take into account relevant law and regulations. The Consumer Rights Act 2015 ("CRA") is relevant to this complaint. This says under a contract to supply goods, the supplier – SMFL in this case – has a responsibility to make sure the goods were of 'satisfactory quality'."

"Satisfactory quality is what a reasonable person would expect – taking into account any relevant factors. The relevant law also says that 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 can be aspects of the quality of the goods. In this case, I would consider relevant factors to include, amongst others, the car's age, price, description and mileage."

"The CRA also says that, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied. But if the fault is identified after the first six months, then it's for Mr G to prove the fault was present when he first acquired it."

In this particular case, the independent third-party that inspected the car concluded that, based on the evidence provided and the inspection it conducted, the turbochargers had been reconditioned, and those repairs had failed. It further concluded that the car is not fit for purpose due to engine contamination and drivetrain issues.

All parties accept that the fair way to settle this complaint is to permit Mr G to reject the car. SMFL acknowledges and accepts the faults experienced by Mr G and it accepts his right to reject the car. Because of this, I don't need to make any findings about whether the car was of satisfactory quality when supplied – all parties seem to accept it was not.

The parties do not agree entirely on the redress that should be paid, so this is the focus of my decision.

I've considered very carefully the comments from both parties, and I've looked closely at the information and very detailed testimony from Mr G detailing the issues he experienced with the car and the diagnostics he had to arrange; and the other consequential costs he's incurred. And, having done so, I've reached different conclusions to our Investigator about how this complaint should be settled.

Where the car supplied was not of satisfactory quality, we'd typically ask the business to:

- end the credit agreement and remove any adverse information from the consumer's credit file in relation to the credit agreement;*
- arrange collection of the car;*
- refund the consumer's deposit and;*
- refund some monthly payments if the consumer suffered impaired usage or was unable to use the car for a period of time.*

We'd also take account of any costs incurred by the consumer that are directly associated with the car and its faults. And we might recommend a compensation payment to recognise the worry, anxiety and inconvenience caused.

Fair Usage

Mr G entered into a hire purchase agreement – so his monthly payments or 'monthly rentals' are the monthly amount he needs to pay in order to use the car. SMFL remains the legal owner of the car unless, and until, Mr G makes all the 60 monthly payments due under the agreement, together with any final payment stipulated in the credit agreement.

Now I accept that Mr G's usage of the car has been impaired, but he's also been able to drive more than 17,000 miles in the time he's had use of it. And a number of independent sources separately state that the average annual mileage is in the range of 7-8,000 miles. So I think it's fair for SMFL to retain the 17 monthly payments in view of the mileage driven by Mr G, and its offer to refund him four monthly payments is appropriate and reasonable in the circumstances.

Diagnostics cost

I've taken into account the extra cost Mr G incurred in arranging the critical diagnostics that proved so crucial in this particular case. And I think it's only fair that this moderate cost is returned to him. On SMFL's instructions, Mr G paid for diagnostics in March 2025, and he also paid a gearbox specialist for some analysis in August 2024.

The total cost of these diagnostics was £170, and this Service has already had sight of the invoices. So, I'm going to ask SMFL to refund this sum to Mr G.

Car hire costs

Mr G wasn't kept mobile when he was without his car. The car was inherently faulty and had mechanical issues associated with failed repairs. The onus was on SMFL to make sure that Mr G remained mobile while the car was not driveable – when it was undergoing diagnostics or being assessed or being repaired.

Mr G says in March 2025 he had to rent a car, and he's provided copy invoices with a total cost paid of £224.88. I'm going to require SMFL to cover these costs in full.

Distress and inconvenience

Mr G has explained the frustration, worry and anxiety that this whole episode caused, and how it was exacerbated by the time it has taken to resolve this matter. SMFL offered a payment of £300, but our Investigator recommended an additional amount of £150 be paid, taking the total compensation payable to Mr G to £450.

I'm going to ask SMFL to pay the compensation recommended by our Investigator. This is in recognition of the of the frustration and distress I believe Mr G experienced. It is not to punish SMFL, as this is not the role of this Service”.

I asked each party to let me have further information, that I'd not already seen, that they'd like me to consider. And I asked that this be sent to me by 31 December 2025.

I've received no further submissions from SMFL.

Mr G says he's “grateful for the time and care taken in considering my complaint and for the outcome reached overall. I am satisfied with the majority of your findings, including the rejection of the vehicle, the cancellation of the agreement, the refunds already made, and the additional redress directed”. Mr G expresses some disappointment that SMFL can retain 17 monthly rentals in recognition of his fair usage of the car, but he says that he “understands the basis on which you have reached your conclusion”.

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.

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I thank Mr G for his comments, and I've considered them alongside all the evidence and arguments previously submitted by both parties. Although I understand his disappointment with the retention of the monthly rentals, Mr G hasn't raised anything new for me to consider or comment on.

Having considered all of the evidence again, I have reached the same conclusions as set out in my provisional decision and for the same reasons.

Putting things right

In addition to the redress already agreed by STARTLINE MOTOR FINANCE LIMITED, I'm directing it to reimburse Mr G for the cost of diagnostics incurred by him; to refund him the costs associated with having to rent another car; and to pay him some compensation.

If it has not already done so, I direct STARTLINE MOTOR FINANCE LIMITED to:

- Cancel the agreement with nothing further to pay and provide confirmation to Mr G.
- Remove any adverse information from Mr G's credit file in relation to this credit agreement.
- Collect the car at no cost or inconvenience to Mr G.
- Refund Mr G's deposit – I understand this to be £5,600.
- Reimburse Mr G for the costs of the diagnostics. I understand the cost was £170.
- Refund Mr G's rental car costs in full. I understand the cost to be £224.88
- Refund Mr G the four monthly rentals it previously offered to refund.
- Pay 8% simple interest on all refunded amounts calculated from the date of payment until the date of settlement*.
- Pay total compensation of £450 to Mr G to address the distress and inconvenience he's suffered in all the circumstances of this complaint. This comprises the £300 previously offered by SMFL together with an additional amount of £150.

*HM Revenue and Customs may require tax to be deducted from this interest. A certificate showing how much tax has been taken off must be provided if requested.

My final decision

My final decision is that I uphold this complaint and require STARTLINE MOTOR FINANCE LIMITED to settle this complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 30 January 2026.

Andrew Macnamara
Ombudsman