

## The complaint

Mr H complains about a hire purchase agreement taken out with CA Auto Finance UK Ltd (CAAF).

## What happened

In July 2023, Mr H took out a hire purchase agreement with CAAF to get a used car from a dealer, with a cash price of around £25,000. After part exchanging his previous car, Mr H was able to make an advance payment of £8,000. Under the agreement, Mr H was then scheduled to make monthly repayments of about £230 over the next four years. At the end of the agreement, a much larger final payment was due.

A few weeks before Mr H was due to collect car from the dealer, CAAF became aware that the car was subject to a pre-existing finance agreement. This meant the previous borrowing needed to be settled, before Mr H could acquire the car. To try and resolve things, the dealer provided a screen shot to CAAF, which showed he had organised a funds transfer to the previous lender, to settle the existing finance agreement.

Neither the dealer nor CAAF told Mr H about the previous finance related to the car. Additionally, CAAF didn't check that the transfer had completed. Despite this, Mr H was allowed to complete his finance agreement with CAAF and take possession of the car.

Around two years later, Mr H tried to sell the car. But, he says he discovered the dealer hadn't settled the finance with the other lender. So, he stopped driving the car and reported the dealer to the police. He also complained to CAAF and said they should not have allowed his hire purchase agreement to go ahead.

In their final response to Mr H's complaint, CAAF accepted that the dealer hadn't settled the previous finance. However, they said they were not responsible for the actions of the dealer, and that Mr H's hire purchase agreement wasn't impacted. So, they continued to hold Mr H responsible for the repayments due under the agreement. Mr H didn't accept CAAF's response and brought his complaint to this service.

One of our investigators looked into Mr H's complaint and found that CAAF hadn't treated Mr H fairly. She said CAAF were responsible for what they dealer had done, and should have told Mr H about the existing finance.

So, the investigator said CAAF should take back the car, allow Mr H to exit the hire purchase agreement and refund the repayments he had made, since he had stopped using it. She also asked CAAF to refund the advance payment Mr H had made and to add interest to the settlement. Finally, the investigator asked CAAF to remove any adverse information from Mr H's credit file, and to pay him £200 for the distress and inconvenience caused.

Mr H accepted the investigator's findings, but CAAF didn't. They reiterated that the dealer was acting on behalf of the previous lender, rather than them. CAAF also said they had followed their standard procedure, when providing finance to a customer.

The investigator didn't change her conclusions and Mr H's complaint has now been passed to be to make a 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.

This case is about a hire purchase agreement in Mr H's name. This type of finance is a regulated financial product. As such, we are able to consider complaints about it. Having looked at the agreement, I can see where Mr H used a broker, to source the finance with CAAF.

Section 56 of the Consumer Credit Act 1974 (CCA) has the effect of making the broker the agent of CAAF during the "antecedent negotiations". These negotiations were in the lead up to Mr H entering into the loan agreement, starting from when he first spoke to the broker. But essentially, this means CAAF are responsible for the acts or omissions of the credit broker, in relation to the finance. In other words, CAAF have to stand behind the things the broker said, did, didn't say, or didn't do during the sales process.

CAAF say the mistake in the lead up to the sale of the car to Mr H lies with the dealer. They say they are only responsible for the actions of the broker, who had followed their standard procedure, when they were made aware the car was subject to an outstanding finance agreement.

While I accept where the actions of the dealer may not fall under CAAF's responsibility, I think there was still an onus on CAAF and their broker, to give key information to Mr H. I say this because CAAF became aware of the outstanding finance a day after Mr H had agreed to take out borrowing with them. I've looked at the Hire Purchase Investigation (HPI) check carried out by CAAF and their broker. And I can see where a cautionary red flag was applied to the document, to warn the purchaser about the outstanding finance.

I think this was a piece of key information about the goods and the finance Mr H had applied for. So, I think it was CAAF's responsibility to tell Mr H, so he could make an informed decision about what to do next. In other words, he could have spoken to the dealer to try and sort things out. I cannot see from CAAF's records that they gave Mr H that option. So, on the face of it, I think there was an omission by the broker and CAAF.

CAAF say their broker sought to clarify the status of the outstanding finance agreement with the dealer, following the HPI check. They have provided us with a screen shot, showing where the dealer initiated a transfer to the previous lender, to settle the borrowing. CAAF's records show this was due to happen a few days after Mr H had collected the car. CAAF say this gave them assurance that it was safe for Mr H to go ahead with their finance agreement.

However, I think the screen shot provided by the dealer, only gave part of the assurance CAAF were looking for. I don't think the evidence shows where CAAF confirmed the payment from the dealer had cleared with the previous lender. Or, at least told Mr H that a transfer of funds had started, but that they didn't know if it was complete. I also think CAAF had cause to question why the dealer set the transfer to happen, for a date after Mr H had collected the car. I think it's reasonable the payment should have been completed before the car was given to Mr H. By not carrying out these checks, I think it left Mr H at risk and was a second omission by CAAF and the broker.

In light of my conclusions about the lack of key information given to Mr H, I need to consider if this induced him into entering into the contract with CAAF, when he otherwise would not

have. Mr H has explained that had he known about the outstanding finance, he would likely have stopped the purchase of the car. I can see from the warning on the HPI check that this is meant to prevent the situation Mr H finds himself in from happening.

So, on balance, I'm persuaded by what Mr H has said, in that he would not have gone ahead with getting the car from the dealer, or the finance offered by CAAF. This means that it's fair for CAAF to provide a remedy to Mr H. I think any remedy provided by CAAF should, as fair as reasonably possible, put Mr H back in the position he would have been in had he not entered the hire purchase agreement.

Mr H says he still has the car and can make it available for CAAF to collect. So, given my conclusions, I think it's fair for CAAF to now end the hire purchase agreement and collect the car at no further cost to Mr H. This will require both Mr H and CAAF to engage with each other and make the necessary arrangements.

I can see from what Mr H says and CAAF's records that Mr H had use of the car from July 2023, until he complained to CAAF on 27 May 2025. The records show where Mr H had driven around 14,000 miles in that time. CAAF say Mr H has exceeded the 5,000 annual mileage allowance, so that should be taken into consideration in this settlement.

Overall, I think it's fair for Mr H to pay for the use he's had. But, I don't think Mr H should be disadvantaged by the mileage the car has covered. I say this as it can fluctuate over the full term of the agreement. And by not driving the car over the last year, the car is now likely inside of the mileage allowance under the agreement. Having thought carefully about this, I think it's fair for CAAF to keep the repayments Mr H made under the hire purchase agreement from July 2023 to 27 May 2025.

But, I've said Mr H hasn't used of the car since May 2025, when he was told by the police to stop driving it. So, I think it's fair for CAAF to refund all the repayments made by Mr H from 27 May 2025 onwards. Mr H also made an advance payment of £8,000 when he took out the hire purchase agreement. I've found that CAAF's remedy needs to put Mr H back in the same position, had he not entered the agreement. So, I also think it's fair for CAAF to refund the advance payment.

Mr H hasn't had use of the funds used to meet the repayments from when he stopped using the car. The same is true of the advance payment he made, when he first took out the hire purchase agreement. So, I think it's fair that CAAF adds interest at a rate of 8% a year simple to these amounts. I think CAAF should calculate the interest to be added from the date the payments were made, to the date of settlement of this complaint.

Throughout his complaint, Mr H has told us that he's maintained the repayments under the hire purchase agreement. But, if any adverse information has been recorded by CAAF about Mr H's agreement, I don't think it would be fair for Mr H to experience the consequences of that. So, I think CAAF should remove any adverse information about the agreement from the records held about Mr H with credit reference agencies.

Finally, I can see where Mr H has been able to use a different vehicle, which has reduced the amount of trouble he has experienced. But, I still think CAAF has caused Mr H a level of distress and inconvenience, in keeping the car safe as a result of CAAF and the broker's omission. So, I think it's fair for CAAF to make a payment to Mr H to reflect that. In all the circumstances, I think it's fair for CAAF to pay £200 to Mr H, for the distress and inconvenience he has experienced.

## **Putting things right**

For these reasons, CA Auto Finance UK Ltd should:

1. Allow Mr H to exit the hire purchase agreement and collect the car with nothing further for Mr H to pay;
2. Remove any adverse information about the hire purchase agreement from the records held about Mr H with credit reference agencies;
3. Refund the repayments to Mr H that he has made under the hire purchase agreement, from 27 May 2025, to the date of settlement of this complaint;
4. Refund the advance payment of £8,000 to Mr H, that he paid at the start of the hire purchase agreement;
5. Add interest at a rate of 8% a year simple to parts three and four of this settlement, from the dates they were paid, to the date of settlement of this complaint; and
6. Pay Mr H £200 for the distress and inconvenience caused.

CAAF must pay these amounts within 28 days of the date on which we tell them Mr H accepts my final decision. If they pay later than this, they must also pay interest on the settlement amount from the date of final decision to the date of payment at 8% a year simple.

If CAAF deducts tax from any interest they pay to Mr H, they should provide Mr H with a tax deduction certificate if he asks for one, so he can reclaim the tax from the tax authorities if appropriate.

## **My final decision**

My final decision is that I uphold this complaint and require CA Auto Finance UK Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 April 2026.

Sam Wedderburn  
**Ombudsman**