

## The complaint

Mr K has complained about the quality of a car provided on finance by CA Auto Finance UK Ltd (“CAAF”).

## What happened

The parties are familiar with the background of this complaint so I will only summarise what happened briefly here. CAAF supplied Mr K with a used car on a hire purchase agreement in September 2024. The cash price of the car was around £12,500 and it had covered around 88,800 miles since first registration in June 2019. The hire purchase agreement required payments of around £280 for 48 months. Mr K paid a deposit of around £2,000.

Mr K complained to CAAF in November 2024. He said that the drive chain warning light had appeared and there had been a creaking sound from the brakes since it was supplied. He said that he initially spoke to the selling dealer but had been advised that the car was outside warranty and it declined any assistance.

CAAF arranged an independent inspection by an engineer I’ll call Expert D in December 2024. The mileage at this point was around 90,800. Following the inspection CAAF said that the car needed further investigation to establish the cause of the fault. It said that the selling dealer had an opportunity to look into the fault and if necessary, make a repair. It said that it would offer a contribution of £750 to uplift the car to and from the selling dealer.

Mr K referred his complaint to our service. He said that CAAF told him he needed to give the selling dealer a chance to repair but did not arrange a suitable time to collect it. He said that he also felt mis-led as he’d asked the dealer about the timing chain and it wasn’t disclosed that work had been completed on it. He also said that the handbrake also doesn’t release fully and that had been the same since he acquired the car.

An investigator here looked into the complaint. She mediated a further offer from CAAF which meant that it would either arrange and pay for the car to be transported back to the selling dealer, or it would allow the car to be inspected and repaired at a local garage.

Mr K disagreed. In summary he said:

- There were repercussions because the car hadn’t been repaired appropriately in the required timescale. The issues had been going on for over a year due to unreasonable behaviour of the dealer and the finance company.
- He didn’t want to be liable for any repairs that came about.
- He didn’t agree that he wasn’t due compensation.
- Mr K said that consumer protection laws hadn’t been applied in his case.
- He’d asked the dealer about the timing belt, and he’d given no indication that repairs had been made before the car was supplied, so this was misleading given the evidence now shows that repairs were made to the drive belt and crankshaft pulley in July 2024.
- He was unhappy to continue to pay monthly, brushed off by the dealer, and led a merry dance by the finance provider including unlawful requests which would have

- left the car open to theft.
- He had no idea where or what the repair would be, and he would still be losing out without compensation.
  - The matter had been stressful and inconvenient and had affected his health.

The complaint was passed to me to make a decision. I issued a provisional decision which said:

*When considering what is, in my opinion, fair and reasonable, I must take into account relevant law and regulations; regulator's rules including Consumer Duty, guidance and standards; codes of practice; and what I believe to have been good industry practice at the relevant time.*

*I've read and considered the evidence submitted by both parties, but I'll focus my comments on what I think is relevant. If I don't comment on a specific point, it isn't because I haven't considered it, but because I don't think I need to comment in order to reach what I think is the right outcome. This is not intended as a discourtesy but reflects the informal nature of this service in resolving disputes.*

*Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.*

#### Satisfactory quality

*The agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it. CAAF is also the supplier of the goods under this type of agreement, and responsible for a complaint about their quality.*

*The CRA is of particular relevance to this complaint. It says that under a contract to supply goods, there is an implied term that "the quality of the goods is satisfactory."*

*The CRA says the quality of goods are satisfactory if they meet the standard that a reasonable person would consider satisfactory taking into account any description of the goods, the price and all the other relevant circumstances. In a case involving a car, the other relevant circumstances might include things like the age and mileage at the time of supply and the car's history.*

*The CRA says 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.*

*As a starting point there would need to be some evidence of what the fault was. And secondly, that the fault renders the car of unsatisfactory quality.*

*The CRA sets out that goods which do not conform to the contract at any time within the period of six months, beginning with the day on which the goods were delivered to the consumer, must be taken not to have conformed to it on that day, unless it's established the goods did conform to the contract on that day or that the application is incompatible with the nature of the goods or with how they fail to conform to the contract.*

*In Mr K's case the car was used when it was supplied, but it was around five years old and had covered around 88,800 miles. It wouldn't be unreasonable to expect the car to be showing some signs of wear and tear, and that might include the underlying components. There would be very different expectations of it than if it was a brand-new car. The price*

*paid usually reflects the age and condition of the car. But it still needed to be of satisfactory quality when it was supplied.*

*It doesn't seem to be in dispute that there are faults with the car. Expert D refers to faults in his report although he wasn't able to establish the cause and what needed to be done. So, in thinking about the requirements of the CRA I must conclude that the car did not conform to the contract when it was supplied, and it was not of satisfactory quality.*

*I'm not going to go into detail about each of the faults. But there are a few points I'd like to address. I have to reach a decision on the available evidence and sometimes the issues aren't clear cut.*

*Expert D said that the brakes made a creaking sound when pulling away in drive which was normal for an automatic car. But he also said that the drivetrain light was illuminated and was of the opinion that the faults would have been present or developing at the point of sale.*

*The onus was on CAAF to demonstrate that the car was of satisfactory quality when it was supplied, but the report doesn't confirm that. It confirms there is a fault, but not the cause and it needed further investigation. Based on what I've seen I'm satisfied that the car wasn't of satisfactory quality when it was supplied.*

*The main point in dispute appears to relate to whether Mr K has the right to reject the car. So, what's left for me to decide is what CAAF need to do to put things right.*

### Remedies in the CRA

*I've thought about the right to repair or replacement. In this case, as the goods, to my mind, did not conform to the implied term of satisfactory quality, Mr K had the right to ask CAAF to repair them. The CRA sets out that if the consumer requires the trader to repair or replace the goods, the trader must do so within a reasonable time and without significant inconvenience to the consumer. And the trader must bear any necessary costs incurred in doing so (including in particular the cost of any labour, materials, or postage).*

*I think CAAF could have been clearer in its communication final response about where the liability lay. CAAF supplied the car, so it was responsible as it didn't conform to the contract. I appreciate that it said that the car could go back to the dealer, and I understand that it might have wanted to do that in order to offset some of the costs. But this must have been confusing for Mr K as he'd already contacted the selling dealer, and it refused assistance.*

*However, CAAF also needed to pay for the cost of transporting the goods and this appears to have been a point of contention for some time, so there was a lack of clarity in who was paying for what. CAAF also made a suggestion that Mr K should leave his keys on the wheel of the car to enable the car to be collected. I can understand why that suggestion was highly concerning for Mr K. Looking at its final response CAAF didn't set out any refunds for loss of use to Mr K for when he was going to be without the car, nor did it make an award of compensation for supplying a car that wasn't of satisfactory quality. The final response appears to make an offer to contribute towards the cost of transporting the car, which CAAF were liable for anyway, and which might have left Mr K at a loss overall. I don't think that CAAF have yet shown that they clearly set out what would happen, it seems that it initially left some of the arrangements to Mr K which left him feeling unsupported.*

*I think on the whole that CAAF didn't get to grips with the complaint. Mr K did at times ask for clarification and I can't yet see that CAAF gave that clarity to him. It could have made the necessary arrangements for Mr K, and if necessary, arranged for the car to go to a local garage at an earlier opportunity. I acknowledge that it did agree to this after our investigator*

suggested it. It should have also explained that he would be refunded for loss of use, consequential losses and also could have awarded some compensation to resolve the matter.

I can see that Mr K has never wanted to accept a repair. I need to be clear and explain that it doesn't appear that he exercised his short term right to reject in the first 30 days. So, the next remedy available to him was initially a repair. However, in the particular circumstances of this case I don't think CAAF have clearly explained his rights and its responsibilities to him. I also don't think CAAF have clearly explained the redress that would have been available to him just because it had supplied a car that wasn't of satisfactory quality.

CAAF also left the arrangements undefined and asked Mr K to make arrangements with the selling dealer himself. The relationship with the selling dealer had by this point broken down completely due to its lack of initial assistance. It is for those reasons that I think Mr K didn't accept the offer to repair. I can understand that it would have been significantly inconvenient for the car to be taken for an unknown repair, while also maintaining his payments and not having any support to keep mobile. He also thought it likely he'd incur further costs and inconvenience in getting the car back from the dealer given the distance from his home.

I appreciate that CAAF told our service that it had offered a refund of two months' payments to Mr K. But I've not seen any clear indication of that, as it isn't in the final response or any other communication with Mr K that it has shared with us. Even if it did make him aware of that offer, I think that Mr K would still have felt like matters were unresolved due to the lack of a reasonable offer to resolve the complaint as a whole, and he had legitimate concerns that any underlying problem with the drive chain may have led to future unknown knock-on issues within the engine, due to how long things were taking.

I can't yet say that CAAF made the necessary arrangements for a repair within a reasonable amount of time and without significant inconvenience to Mr K, as required by the CRA. So, for these reasons I think the opportunity to affect a repair has passed, and I'm intending to say that Mr K should now be able to exercise the final right to reject the car.

#### Refunds, deduction for use and impaired use

I'm intending to say that the car should be collected at no further cost to Mr K, and the agreement ended with no further liability after the car is collected. Mr K's deposit should also be refunded.

The CRA says a deduction can be made from the refund to take account of the use the consumer has had of the goods in the period since they were delivered. It doesn't set out how to calculate fair usage and there's no exact formula for me to use. There's not an industry standard mileage figure.

But as a starting point, in the particular circumstances of this case, I think the monthly repayment towards the hire purchase agreement is a reasonable figure to start thinking about his use of the car. Mr K told us that the mileage of the car in June 2025 was around 94,400. I don't have an up-to-date mileage and Mr K says he's used the car sparingly due to the issues. But Mr K has still been able to cover around 5,600 miles in the nine months between when it was supplied and June 2025, and I have to take account that it appears he's continued to drive it. I understand he's said he's had little choice as he's needed to keep mobile, and he thinks he is due all of his payments back. But it's only fair that he pays for the use he has had. No doubt he would have had to pay for other means to keep mobile if he didn't have the car, and I can't put him in a better position overall. So, I think as a starting point CAAF can retain the monthly payments, he's made in recognition of the use he's had of the car.

*But I do think that Mr K has suffered some impaired use of the car. He's reluctant to use it and has shown that it keeps going into limp mode. So, I think CAAF should refund 10% of each monthly payment that he has made to reflect the impaired use.*

*This reflects the nature of the Financial Ombudsman Service's scheme as one which is intended to be an informal alternative to court. I think this means Mr K will have paid a reasonable amount for his actual use of the car, taking into account all the individual circumstances, which I think is the spirit of the legislation. All refunds should be subject to 8% simple interest from date of payment until date of settlement.*

#### Consequential losses

*I'm not aware that Mr K has paid for any repairs to the car. If he has, I'd need to see something which indicated these repairs came about because the car wasn't of satisfactory quality, rather than consumables that are necessary for continued use. If he has paid for some repairs and the car is rejected, then he might not get the benefit of those repairs. So, I may make an award for consequential losses in the final decision, subject to suitable evidence of the loss being provided in response to this provisional decision, if I'm satisfied these have been incurred as a result of the breach of contract.*

*I am satisfied, however, that Mr K paid £492 to have the car delivered to him initially. I don't think it is fair that he should lose that amount of money if the car is rejected. So, I'm intending on awarding this as a consequential loss because of the breach of contract. This refund should also attract the simple interest payment I've explained earlier.*

#### Compensation

*Finally, I've considered compensation. It's clear that Mr H has experienced a lot of stress and inconvenience due to being supplied a car that wasn't of satisfactory quality. There's been a lot of back and forth, he's been left feeling unsupported and not aware of his rights. He's also described the worry if something were to go wrong because of the faults with the car, and he's told me this has affected his health.*

*No amount of money can change what's happened. But I think the compensation I'm recommending is in line with what's awarded where the impact of the breach of contract and CAAF's handling of the complaint has caused considerable distress, upset and worry – and/or significant inconvenience that needs a lot of extra effort to sort out. So, I think £300 compensation is suitable in the circumstances because it's had that sort of impact on Mr K.*

*Considering all the circumstances, and the other refunds set out, plus out of pocket interest, I think the steps I've set out below are a fair and reasonable way to resolve the complaint.*

*Mr K doesn't need to accept my decision if he thinks he can get a better outcome. He'll then be free to pursue the complaint by other means, such as through the court, after obtaining legal advice, as necessary.*

CAAF disagreed with the provisional decision. In summary it said:

- Mr K was clearly informed on numerous occasions that he did not have the right to reject and that the retailer had the right to repair. The CRA doesn't stipulate that the repair needs to be done by a third party, and after the initial final response letter it informed Mr K that it would uplift the car to the dealer at no cost. It wasn't

unreasonable to expect Mr K to make the car available for collection which was not done.

- The ombudsman statement that the communication could have been clearer was categorically untrue. It continued communicating with Mr K following the final response by email and the resolution was clearly outlined.
- After the complaint was referred to the Financial Ombudsman it was in touch with the investigator and made an offer to allow the car to be repaired locally. The investigator felt this was a reasonable resolution, the offer of reimbursement was never taken off the table and should either Mr K or the investigator have required confirmation that this offer was open it could have been checked. The redress was clearly given in written communication.
- It disagreed that it had not explained Mr K's rights. It had clearly outlined that because of the time that had passed the retailer had the right to repair. The independent inspection was to establish what was wrong and determine liability.
- It disagreed that it left the arrangements undefined and asked Mr K to communicate with the dealer. It had communicated between the two parties.
- The ombudsman statement that the arrangements for repair weren't made in a reasonable amount of time was unfair. It had made a clear proposal which the consumer was not happy with, and the investigator mediated an offer of resolution which she thought was fair. The delays were caused by the time it took for a referral to an ombudsman. Those delays were not due to any inaction on CAAF's part as the consumer had refused the offer.
- The outcome was entirely unreasonable, a misrepresentation of the facts and puts undue blame and responsibility upon CAAF for factors outside of its control and decisions that were not its own. It had acted reasonably in line with the CRA to try and reach a resolution after the initial final response, and while the case was with the Financial Ombudsman. It asked for the ombudsman to reconsider the outcome.
- It reiterated that its latest offer was for the car to be repaired at a local VAT registered garage and a refund of two monthly instalments (£553.96). It said it would also be in agreement to pay £200 in compensation and refund 20% of the monthly instalments since the complaint was referred to the final decision stage.

CAAF also provided further commentary from the dealer which I've summarised below:

- There was no evidence in the independent report to indicate that there was a timing chain issue, and this should be excluded from the ombudsman decision making. The ombudsman seems to have taken the customer's word that there is a timing issue over the expert report.
- The faults needed further investigation and the engineer's evidence was inconclusive. The conclusion of the report was that the drive train needed investigation and everything else was described as commensurate with the age and mileage of the car.
- The customer agreed to repairs but failed to make the car available which was unreasonable.

- The car had been driven nearly 6,000 miles which indicted that it was road worthy and in a satisfactory condition otherwise he would have parked it up and not used it.

Mr K also responded to the provisional decision and said he was generally satisfied with the outcome but didn't think the compensation was appropriate. In summary he said:

- His experience was ruined, and the car continually told him it doesn't operate fully, as well as the original faults confirmed by the engineer's report. He had a pile of fuel receipts and felt this was due to the car burning more fuel than normal due to not operating fully and all to his cost with no help and nothing but stress and hassle.
- He was restricted in how he could use the car. He only had one passenger at a time, couldn't travel far because of limp mode, couldn't fit accessories, and had to park away from other cars for fear of damage.
- As he reported the issues early on and had paid over £3,500, he wanted reconsideration of the compensation. The process was too long and he had suffered detriment when CAAF should carry the burden of usage.
- Had either organisation fulfilled their duty of care the complaint might have been resolved earlier. Both organisations advised him to contact the other one which dragged out the issues, so a reconsideration of monthly payments being returned would be a fairer outcome. He was unhappy to be at a huge financial loss considering he would have to start all over again with a new agreement and car.
- £300 compensation was a paltry return considering none of it was caused by him.

Our investigator passed on CAAF's latest offer to Mr K, but this was rejected. As both parties have responded I'll go on to make 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.

Firstly, I'd like to thank both the parties for responding promptly to the provisional decision. I've attempted to summarise above the submissions I've received from both Mr K and CAAF, but I want them to know that I've carefully considered all the points they made and the evidence they provided.

However, I don't intend to address the same points that I covered in my provisional decision again. Instead, I've tried to concisely explain why the additional comments and evidence I've received since I issued my provisional decision haven't changed my mind.

I want to set out that I'm primarily required to look at how CAAF handled things up until it issued its final response. So, where things have moved on and further offers have been made to resolve things, this still means that I reach a conclusion that I am upholding the complaint. Both parties have commented on how long the process has taken. It is regrettable that this service has received an unprecedented number of complaints and we're working hard to reduce our waiting times. But I haven't factored in those wait times when considering whether a repair has been completed in a reasonable amount of time, I'm looking at how CAAF handled the claim.

I stand by my commentary that I don't think CAAF have been sufficiently clear in explaining its liability to Mr K. It still maintains consistent reference to the rights of the retailer. I appreciate that CAAF is disappointed with this. But CAAF is the supplier of the car, and it is the trader when considering the requirements of the CRA. I still think that by consistently deferring to the retailer it has confused matters, which has ultimately led to the impasse.

The CRA also sets out that Mr K had the right to claim damages, so CAAF didn't necessarily need to stick rigidly to a repair by the supplying dealer. It had an opportunity to consider other options, such as a local repair, at a much earlier stage and before it issued its final response. I appreciate that our investigator thought the offer of a local repair was fair at the time it was made (June 2025). But my role is to consider the whole matter afresh and I think that while that might have been a reasonable alternative offer had it been made in the final response, it was too late by the time it was suggested. I would still be concerned about the long-term viability of an unknown repair given Mr K first raised his concerns in November 2024. The car hasn't been shown to be of satisfactory quality when it was supplied, and the fault hasn't been fully diagnosed, so it might have also been prudent to let Mr K know he shouldn't continue to drive it.

I acknowledge there were further comments by the dealer. I'm not looking at a complaint against the dealer so although I've considered the comments I must focus on the responsibility of the supplier here, which is CAAF. And as I explained in my provisional decision the CRA sets out that it can be assumed that the goods did not conform to the contract in the first six months. I agree that the purpose of the inspection was to establish liability, but it was more an opportunity for CAAF to rebut Mr K's claim and to show that the goods were of satisfactory quality. I also acknowledge that the report is inconclusive, and I haven't taken Mr K's word as the evidence here. But the report doesn't show that Mr K was liable or that the car was of satisfactory quality when it was supplied, which is what is required by the CRA. So CAAF should have taken responsibility for making all the arrangements directly with Mr K, leaving no room for doubt as to what would happen, who was liable, and giving a through explanation of all potential costs to be covered by it.

CAAF has now been able to show emails it sent to Mr K after the final response which it didn't provide earlier, but even these don't fully account for costs Mr K is likely to have experienced, or what would happen if the fault couldn't be diagnosed or fixed. For example, there was no consideration of the cost to return the car to him once it was fixed. And as I explained in my provisional decision, the CRA sets out that these costs should be covered by CAAF.

Considering everything that happened I don't think Mr K's actions or choice not to accept the offer and make the car available were wholly unreasonable given the offer that was put to him. Has CAAF been clearer in its communication and support, then I might not have reached the same conclusion. So it is for this reason that I still think he should have the final right to reject the car.

I understand that Mr K will be particularly disappointed in the conclusions I've reached about how much compensation and refunds are due, but I can assure him I've considered all of his submissions before reaching my conclusion. I don't find I have grounds to direct CAAF to refund the full monthly payments that he made. The CRA allows for a deduction for use, and he's still been able to cover average mileage in the car. If he didn't have the car, he'd likely still have had to pay to keep himself mobile. I have however awarded an amount for impaired use, but I haven't seen sufficient evidence about how his use of the car has been impacted to award more. Our compensation awards aren't designed to be punitive; we're not here to fine and punish a business when it makes a mistake. But I still think the compensation that I've awarded reflects my understanding of the breach of contract, and how CAAF have handled things. Considering the refund of the deposit, other refunds and out

of pocket expenses I think this is a reasonable outcome to resolve the complaint and should enable Mr K to start again with a new car or agreement.

As I don't consider I've been provided with any further information to change my decision I still consider my findings to be fair and reasonable in the circumstances. As a reminder, Mr K doesn't need to accept my decision, if he thinks he can achieve a better outcome, he will be free to pursue the matter by other means such as through the courts.

My final decision is the same for the reasons set out in my provisional decision and above.

### **My final decision**

My final decision is that I uphold this complaint and direct CA Auto Finance UK Ltd to do the following:

- End the finance agreement ensuring Mr K is not liable for monthly rentals after the point of collection (they should refund him any overpayments for these if applicable).
- Take the car back (if that has not been done already) without charging for collection.
- Remove any adverse information about the agreement which has been reported to the credit reference agencies.
- Refund Mr K his deposit of £2,013 as shown on the agreement.
- Refund the cost of delivering the car £492.
- Refund 10% of each monthly payment Mr K has made.
- Pay 8% simple annual interest\* from the date of each payment above until the date of settlement.
- Pay £300 compensation.

\* If CA Auto Finance UK Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr K how much tax it's taken off. It should also give Mr K a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 February 2026.

Caroline Kirby  
**Ombudsman**