

The complaint

Miss S complains about a car supplied to her using a hire purchase agreement taken out with Bank of Scotland plc trading as Halifax (“Halifax”).

What happened

In January 2022, Miss S acquired a used car using a hire purchase agreement with Halifax. The car was around seven years old, its mileage was around 61,600 miles, the cash price of the car recorded on the agreement was £11,889, the agreement was for 30 months, made up of regular, monthly repayments of £361.48. This included a £10 purchase fee. The deposit recorded on the agreement was £1,500.

Miss S said she inspected the car with a mechanic when she went to view it in January 2022 and one of the things identified was an oil sweat/leak. Miss S said she took notes on her phone during the visit, which the supplying dealership noted down too and said agreed it would be repaired before collection. The supplying dealership disagree this is what happened. In its emails to Miss S it said there were no issues prior to supply and there was no mention of an oil leak in their records.

Miss S supplied a copy of a “*sales referral form*” dated 13 January 2022. Handwritten, at the bottom of the form was:

“*Subject to test drive.*
“*Oil leak*” ...”

Miss S later then collected the car and began to drive it. She said she noticed issues with the car where she thought it was burning high levels of oil. In March 2022, and again, in June 2022, Miss S said she needed to top up the engine oil as it was low.

Miss S said over the next year or so, she went to several garages and had diagnostic checks completed and informed them about her concerns relating to the engine oil depleting quicker than she expected. On each occasion, Miss S said she was told the issues she identified weren’t anything to be concerned about. Some of the instances Miss S described were in:

- June 2022, where Miss S said she contacted the supplying dealership. No job sheet has been provided of this visit, but Miss S said she was told there was no sign of a leak.
- September 2022, at 63,147 miles, Miss S contacted a third-party company to top up the car’s engine oil.
- October 2022, where a vehicle visual health check was completed by the supplying dealership at 63,342 miles. No fault or issue in relation to an oil leak was noted on the invoice by the dealership.
- December 2022, where the car was taken for its MOT at the manufacturer’s garage. The mileage of the car was 63,505 miles. No advisory relating to an oil leak was recorded.

- January 2023, where a service was carried out by the manufacturer's garage. No job sheet has been provided in relation to this visit, other than confirmation of the booking and Halifax's comments below.
- May 2023, where a diagnostic check was completed at 65,144 miles due to Miss S's concerns about substantial oil consumption. The report said there were no visible signs of a leak but advised to refer the car to a dealer to investigate further.

In June 2023, Miss S took the car to a manufacturer dealership to do a diagnostic check. The mileage recorded on the report was 65,324 miles and she said she was told that pistons were damaged which was leading to the oil evaporating quicker than expected. The report carried out said the engine needed to be replaced and a quote was generated for the cost of replacement.

Miss S explained that the engine replacement was covered under her warranty, but some other costs, totalling around £530 were not covered. These were for things such as for the cost of oil, diagnostic tests, and for the use of a courtesy car. So, Miss S complained to Halifax in January 2024.

Halifax provided their final response and said they weren't upholding Miss S's complaint. Halifax explained to Miss S that they reached that conclusion as they couldn't see any evidence to confirm there was a fault present or developing at the point of supply, as Miss S had use of the car for over one year and four months when the fault presented itself.

Halifax said an MOT completed in December 2022 and a service completed in January 2023 didn't mention anything relating to an oil leak or a fault relating to oil. Both the MOT and the service was completed by a manufacturer approved dealership. And so, Halifax didn't think they were liable for any additional costs Miss S incurred as a result of having the engine replaced under her warranty.

Unhappy with Halifax's response, Miss S referred her complaint to our service in April 2024.

During our service's involvement, Miss S supplied diagnostic reports carried out by a third-party breakdown service in September 2023 and May 2024 – after the engine had been replaced. Amongst other things, the September 2023 diagnostic reported the car's mileage at 65,913 miles and said, *"Engine oil and coolant levels checked – OK"*.

The May 2024 diagnostic reported the car's mileage at 67,011 miles and said:

"No fault found during this attendance / road test..."

Member reports grinding noise as soon as started. Eml on before noise. No fault found today..."

Our investigator didn't uphold Miss S's complaint. She explained that she thought there was a fault with the car but didn't think the fault was present or developing at the point of supply.

Miss S disagreed with the investigator's findings, and so the complaint was 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.

Having done so, I'm not upholding this complaint and I'll explain why below.

I'm aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, if there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Miss S complains about a car supplied to her under a hire purchase agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Miss S's complaint about Halifax.

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. The CRA explains under a contract to supply goods, the supplier – Halifax here – has a responsibility to make sure goods are of satisfactory quality. Satisfactory quality is what a reasonable person would expect – taking into account any relevant factors.

I would consider relevant factors here, amongst others, to include the car's age, price, mileage and description. So, it's important to note that the car Miss S acquired was used, around seven years old, had been driven around 61,600 miles, advertised without a full service history, and cost under £12,000. I think a reasonable person would accept that it would not be in the same condition as a new car and was likely to have some parts that are worn.

What I need to consider is whether the car was of satisfactory quality when it was supplied. And in order to do that, I first need to consider whether the car developed a fault.

Had the car developed a fault?

It isn't in dispute here that the car developed a fault. I say this because Miss S says the engine needed to be replaced and so did Halifax in their final response. But for completeness, I have seen the diagnostic carried out in June 2023 at 65,324 miles, where it says:

"DIAG

Investigate customer concern. SEVERE OIL LEAK...

Report:

Carried out borescope images and found pistons [sic] in engine scored indicating signs of engine breaking down. Requires new engine."

Considering the above, I'm satisfied that there was a fault with the car in relation to the engine and that it needed to be replaced.

Was the car of satisfactory quality at the point of supply?

What is in dispute, is whether the car was of satisfactory quality at the point of supply. Miss S strongly believes that the engine replacement was necessary due to an oil leak, which she says was known to the supplying dealership at the point of supply. And continued to be an issue until the engine was replaced under warranty.

For me to make a finding in Miss S's favour, I need to be persuaded that there is evidence of the issue at the point of supply. And, from what I have seen, there is no evidence which shows the fault identified in June 2023 was present or developing at the point of supply. I'll explain why I have reached that finding below.

Miss S said that when she went to view the car, she was told that repairs would be carried out to it. Miss S provided a screenshot of notes she made on her phone. Part of the note says, "*oil sweat/ oil leak*", and she says all issues identified were noted down by the supplying dealership.

I don't dispute what Miss S says here. I have seen a copy of the sales referral form, which also has handwritten notes at the bottom of the form of issues identified. One of those was "*oil leak*". So, it corroborates what Miss S says happened.

However, I noted that the sales referral form had around five issues handwritten at the bottom of the form, with only one of them having its own quotation marks around it. That issue was "*oil leak*".

It is unclear why quotation marks were only around the reference to the oil leak, and not on any of the issues Miss S says she identified. I have inferred from this, that while an oil leak may have been discussed or raised during the sales process, it couldn't be confirmed at the time whether there was a fault relating to an oil leak (or to the engine) and was likely something the supplying dealership reassured Miss S they would look into.

I have seen several emails between Miss S and the supplying dealership in January 2022. Amongst other things, they discuss aspects of the car's trim that were agreed to be replaced prior to collection. They also discuss the car's service book which was requested by Miss S. The supplying dealership explained that they attempted to trace it, but also said that the car wasn't advertised with service history and so it was priced accordingly. What's important to note from these emails are that no reference is made to an oil sweat or oil leak directly. So, while Miss S says she was told a repair was carried out relating to an oil leak, from what I have seen, the evidence suggests otherwise. And in any event, I can't see an actual fault being diagnosed at the time relating to an oil leak or to its engine.

I'm also mindful that, if Miss S was aware that a repair was to be completed to the car in January 2022 relating to an oil leak, I think it would be reasonable to assume that this issue would be checked before the car was acquired to confirm it had been repaired. Miss S has said in correspondence that a mechanic accompanied her to view the car and identified the oil leak. So, by that same logic, it would be reasonable to assume that it would be checked again to ensure there wasn't a leak.

Turning my attention now to various instances where Miss S says she contacted third parties to investigate what she believed was excessive oil consumption. Over a year or so, Miss S says she enquired with, to name a few, the supplying dealership, the manufacturer's dealership, and breakdown recovery services, about the oil consumption. But on each occasion, a fault was not diagnosed. It was only diagnosed in June 2023 – almost one and a half years, and around 3,700 miles later. In between that time an MOT was completed on the car which had no advisories and a service completed where Halifax say, no oil leak was identified by the dealership. So, I'm mindful that, despite various technicians and mechanics investigating the car for over a year, an oil leak or an issue relating to the car's engine couldn't be found. And no mechanic has said that the issue was present or developing at the point of supply. So, I'm not persuaded that there was an oil leak with the car, which led to an engine failure, until issues presented themselves around June 2023.

Considering the above, I'm not satisfied the fault was present or developing at the point of supply. It follows that I think the car was of satisfactory quality at the point of supply.

In summary, I don't think Halifax needs to do anything in relation to this complaint.

My final decision

For the reasons I've explained, I don't uphold this complaint. So, I don't require Bank of Scotland plc trading as Halifax to do anything more here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 25 March 2025.

Ronesh Amin
Ombudsman