

The complaint

Ms M complained about the quality of a used car she acquired under a hire purchase agreement with Startline Motor Finance Limited trading as Startline ('Startline').

When I refer to what Ms M and Startline have said or done, it should also be taken to include things said or done on their behalf.

What happened

In November 2023, Ms M acquired a used car through a hire purchase agreement with Startline. The cash price of the car was £8,643, which included £599 for a one-year warranty and £199 for paint protection (leather). The total amount payable under the agreement was £13,715.80 and the agreement was for 60 months, comprising an initial payment of £228.43, 58 monthly payments of £228.43 and a final payment of £238.43. At the time of supply, the car was around 7 years old, and it had travelled approximately 62,194 miles.

In late March 2024 Ms M notified the supplying dealer that the engine management light had illuminated and that a loud noise was heard from the engine. The report from the recovery service which attended Ms M's home noted various fault codes and issues relating to the engine management system, the camshaft timing control, the CAT conversion rate, the wet timing belt and contaminated engine oil, but also noted that engine oil levels and coolant levels were ok. The mileage in their report dated 3 April 2024 is noted as 65,329.

Ms M said she contacted the supplying dealer, the intermediary/broker and Startline to ask for the car to be repaired. The supplying dealer told Ms M to contact the warranty company which advised her to take the car to a vat-registered garage to be checked before they could authorize repairs. When the garage carried out an initial inspection of the car, they found fault codes relating to the camshaft and the CAT efficiency being below threshold, they also reported that the engine was knocking and misfiring, and they suspected that the wet belt had lost teeth and had moved out of alignment. The garage provided an indicative cost to replace the timing belt and clean the oil strainer so that they could start the car and then investigate to see if any further damage had occurred.

Once approval for the garage to proceed with repairs had been obtained from the warranty company, the garage began to work on the car. They found that the timing belt had degraded and that there was evidence of oil starvation in the camshaft pulley which also had excessive movement. They replaced the timing belt, oil pump belt, camshaft pulley, and cleaned the oil strainer before starting the engine. Once the car was started, they could hear a knocking sound from one of the engine's cylinders, so they requested permission to investigate further. Ms M says Startline were not responding to her, but she was able to obtain permission for the garage to proceed further from the broker.

The garage found the big end bearings to have slight movement and wear, so they replaced them and tested the engine again, but found a secondary noise in one of the pistons. Further investigation showed there was movement in cylinder three piston, the piston had been in contact with the liner, and this has caused damage to the cylinder wall which the garage says means that the engine is non-repairable, and a full engine rebuild or replacement is

required. The broker told Ms M she could drive the car the short distance to her home but no further, as this could result in further damage to the engine. The garage said it would not have been possible to tell whether there was any engine damage without replacing the timing belt and carrying out the other initial work.

At this point, the broker said an investigation into Ms M's case would be started, but due to delays in Startline progressing the matter, Ms M brought her complaint to the Financial Ombudsman Service (Financial Ombudsman) in July 2024. She told us she didn't want the car anymore and wanted the finance agreement cancelled because the car wasn't of a satisfactory quality. She also told us she wanted to be compensated for the inconvenience caused to her as a result of having been supplied with a faulty car. Ms M said that she had been without a usable car from the end of March 2024 and that no courtesy car had been provided despite her asking for one several times. She said that this was very inconvenient for her and that she was also unhappy because she was still paying the monthly instalments for the car as well as the insurance.

Startline arranged an independent inspection of the car, and a report was provided by an independent engineer on 7 July 2024. This report said that because the timing belt had failed within six months of the car being supplied to Ms M, this led them to question the durability of the car and to conclude that the supplying dealer should have replaced the timing belt prior to supplying the car to Ms M.

Startline provided their final response letter to Ms M on 13 September 2024 which said they were partially upholding her complaint. They noted that Ms M told them the selling dealer contributed £1,000 to the repair and advised the engine was to be rebuilt. They said that they were upholding the complaint about the repair of the timing belt because they accepted the independent engineer's conclusion that this should have been replaced by the supplying dealer before the car was supplied to Ms M. However, they were not upholding any other aspect of the complaint, nor were they prepared to pay for any further repairs to the car including, specifically, repairs to the piston because that was not reported or determined to be a point-of-sale issue by the independent engineer, and there was no evidence to show that the supplying dealer was liable for this fault. They concluded that the supplying dealer acted fairly in authorising the £1,550.53 payment to the garage for the repairs that had been done up to this point but said that Ms M is liable for any outstanding faults to the car. However, they offered £350 as redress for the length of time taken to conclude the matter.

Ms M was unhappy with this response and said:

- The piston had not been repaired.
- She never received £1000 from the dealer or the warranty company for repairs.
- The remaining engine problems emanated from the faulty cambelt because the engine was starved from getting oil. This was explained by the repairing garage and the independent engineer cited this as well.
- She took the car to a garage as soon as the engine light came on.
- The supplying dealer should have identified that the cambelt was worn out and needed replacement before supplying the car to her.
- She didn't accept the redress of £350, as that is unacceptable considering Startline's delays in dealing with the issue.
- The car didn't meet the required quality standards under the Consumer Rights Act as the engine problem came to light only four months after she acquired the car, at which point she had driven it only around 3,000 miles.

As Ms M was unhappy with Startline's response, she asked to the Financial Ombudsman to investigate her complaint.

Our investigator concluded that there was sufficient evidence to determine that there is an underlying fault with the car, and that the car was not of satisfactory quality or sufficiently durable when supplied to Ms M. In summary, the investigator thought that Ms M should be able to reject the car and that Startline should refund her all payments for the period from April 2024 to the date of settlement. The investigator also thought that Startline should pay Ms M a further £200 for the distress and inconvenience caused, in addition to the £350 redress Startline had offered Ms M for the length of time taken to conclude the matter,

Ms M accepted our investigator's findings.

Startline didn't agree with our investigator, therefore this matter has been passed to me to make a 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.

Having done so, I've reached the same overall conclusions as our investigator and for broadly the same reasons.

If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time.

Ms M was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it. The Consumer Rights Act 2015 (CRA) covers agreements such as the one Ms M 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.

So, if I thought the car was faulty when Ms M took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask Startline to put this right.

In this case I think there is sufficient evidence to say that, most likely, the car wasn't of satisfactory quality, or reasonably durable, when supplied to Ms M and I will explain why below.

The cash price of the car was £8,643, which included £599 for a one-year warranty and £199 for paint protection (leather), and at the time Ms M acquired it, the car was around seven years old and it had travelled approximately 62,194 miles. So, I think a reasonable person would expect that there's a higher risk this car might need repairs and/or

maintenance sooner than a more expensive car, or one which was newer, or had lower mileage when it was supplied.

The car first displayed warning lights in late March 2024, which was less than five months after Ms M had acquired it, and during this period it had been driven 3,135 miles approximately.

I have reviewed the reports provided by the recovery service that attended at Ms M's house, the repairing garage and the independent engineer. Considering these together with the other evidence provided, there doesn't seem to be any dispute that the car had problems because the timing belt failed. However, just because there are faults with the car doesn't automatically mean that the car wasn't of satisfactory quality when it was supplied to Ms M. So, I've gone on to consider if the car was of satisfactory quality at the point of supply.

Startline have accepted the independent engineer's conclusion that the timing belt should have been replaced by the supplying dealer before they supplied the car to Ms M. As a result, they're not disputing the payment already made to the repairing garage in respect of the work the garage carried out to replace the timing belt, and other works relating to the oil pump belt, camshaft pulley, and the oil strainer, all of which were necessary to be able to start the engine safely after the breakdown. Therefore, I think it is reasonable to conclude that Startline have accepted that the car had a fault present or developing at the point of supply which meant that the car was not of satisfactory quality and wasn't sufficiently durable.

After carrying out the initial repairs, which Startline accept were appropriate, the garage discovered that other faults remained. They said there is movement in one of the pistons, which has wear due to oil starvation and it has also been in contact with the cylinder liner, causing damage to the cylinder wall. The garage has said this cannot be easily or cheaply repaired and it would require a partial engine rebuild or complete engine replacement.

However, Startline have said they won't pay for the cost of any further repairs because the independent engineer's report said that only the issue with the timing belt was their responsibility.

At this point I want to consider what the independent engineer says about the car. The independent engineer's report, dated 4 July 2024, confirms that the engineer's duty is to the courts, not to the person who instructed or paid for the report. As such, I'm satisfied this report is reasonable to rely upon.

I have already said that Startline accept that the timing belt was not of satisfactory quality and should have been replaced by the supplying dealer before supplying the car to Ms M, but for completeness I want to cover here what the independent engineer says about this issue, as well as what they say about the remaining issues and the condition of the car in general.

The independent engineer inspected the car after the replacement of the timing belt and the completion of the other works relating to the oil pump belt, camshaft pulley, and the oil strainer. Their report says:

- The car's overall condition was acceptable for a car approaching 66,000 miles and in their opinion was likely supplied in a road legal condition and would have met minimum MOT standards at the point of sale.
- With the engine running there was still an unusual noise present from the lower half of the engine.
- The old cambelt was seen and was in a heavily deteriorated condition.

- The cambelt tensioner was serviceable but worn.
- The timing belt failed prematurely as a result of long-term deterioration which could not have occurred in the 3,000 miles driven by Ms M.
- The supplying garage should have replaced the timing belt prior to supplying the car, especially considering the catastrophic damage that can occur when one fails compared to the comparative ease and cost of replacing it before that happens.

The broker/intermediary asked the independent engineer for some further information after they received their report. In an email dated 30 July 2024 they asked the independent engineer to clarify if the supplying dealership is liable for the timing belt and the bottom end engine issues, because whilst the latter are mentioned in the engineer's report, the report did not confirm liability for this. The independent engineer replied that they believe when a timing belt fails within a reasonable period of time, as in this case, the selling agents are likely to be held liable for all associated repair costs, and therefore, in this particular instance, they believed that the selling agents would be responsible for all the repair costs.

I have already mentioned that the repairing garage recommended a full engine rebuild or replacement was necessary to address the outstanding issues with the car, and I note that the independent engineer's report also concludes that the engine will need a complete overhaul.

Also, the repairing garage said that the outstanding faults include a secondary noise from the engine, damage to a big end bearing, excessive sideways movement and wear in one of the pistons due to oil starvation and also scoring to the cylinder liner. The independent engineer's report also notes that the big end shell bearings showed evidence of pick-up markings, which they say are normally caused by swarf contamination suspended in the oil. Their report also includes photos of the scored shell linings.

Therefore, I think it's reasonable to say that the repairing garage and the independent engineer have reached similar conclusions about what caused the car to break down, which was that the timing belt failed prematurely, and, also, they agree about the nature of the outstanding damage and what needs to be done to repair the car.

In addition, the independent engineer's report states that the failure of the timing belt was due to long-term deterioration and could not have occurred during the time that Ms M had the car, and the recovery service report noted that the oil and coolant levels in the car were ok. Therefore, there is nothing to suggest a general lack of maintenance or care by Ms M during the period she was using the car led to the car having problems. I also think that Ms M acted appropriately and reasonably by reacting promptly and contacting the supplying dealer and a garage immediately after the engine and oil warning lights illuminated in March 2024.

Taking into account all the information provided in this particular case, I think there is sufficient evidence to show that, most likely, the outstanding problems with the car, which mean it's still not safe to drive without a complete overhaul or replacement of the engine, resulted from the failure of the timing belt. And Startline have accepted the timing belt was not sufficiently durable or in a satisfactory condition when the car was supplied to Ms M, and they agree it should have been replaced before the car was supplied to Ms M. This has also been supported by the independent engineer's report as mentioned above.

Having carefully considered this, along with other relevant circumstances, including the relatively short time period between Ms M acquiring the car and the problems occurring, the unremarkable mileage covered during that period, and the independent engineer's comments on the outstanding engine problems being an associated issue resulting from the timing belt failing, I think there is enough evidence to say that the most likely car was not

sufficiently durable and/or that a fault was present or developing when it was supplied to Ms M which meant the car was of unsatisfactory quality at that time.

Therefore, I agree with our investigator's conclusion that this complaint should be upheld, and that Startline need to do something to put things right for Ms M.

The CRA sets out that where the supplied goods are not of satisfactory quality, the consumer can require the supplier (Startline in this case) to fix any faults. But considering that some repairs to the car have already been made, and these have not been sufficient to address the problem and make the car roadworthy, and also taking into account the lengthy period during which Ms M has been unable to use the car, I don't think it would now be reasonable to make Ms M wait any longer for a further attempt at repair. I think Startline have been allowed sufficient time to resolve the fault with the car, so I think the most fair and reasonable option is for Ms M is to be allowed to reject the car. As such, the hire purchase agreement should be cancelled with nothing further to pay and Startline should remove any adverse information from Ms M's credit file.

Ms M last used the car at the end of March 2024 because of the problems with it and I think she acted appropriately and reasonably in not driving the car after this point on the advice of the repairing garage, which said that it wasn't roadworthy and also that driving it could cause further damage. Ms M was also not provided with a courtesy car despite asking for one several times, therefore I think it's fair that she shouldn't have to make monthly payments for the car from that point.

Ms M has described the impact all of this has had on her. She says she has spent a lot of time trying to get the matter resolved with Startline and has been without a drivable car for over seven months at this point, which has caused her a lot of inconvenience. She has had to rely primarily on public transport and occasionally on family or friends for assistance with essential trips during this period. This has impacted her daily and work life significantly, as she's had to adjust her schedule around limited transportation options, adding both time and inconvenience to routine tasks. She has been unable to work her second job, yet Startline still expect a payment for the car at the beginning of the month. Additionally, managing errands, the school run for her son and appointments has been challenging without the flexibility of her own car. She says all of this has had a detrimental effect on her mental health and, overall, she says she has experienced serious financial, emotional, and social difficulties due to the car breakdown.

Overall, having considered the impact of the situation on Ms M, I think it would be fair for Startline to pay her £200 compensation to reflect the distress and inconvenience caused to her because Startline supplied her with a car which wasn't of satisfactory quality. This is in addition to the £350 Startline have already paid to Ms M for the delays in dealing with her case.

My final decision

For the reasons explained above, I uphold this complaint and direct Startline to:

- End the agreement with nothing more to pay.
- Collect the car at no cost to Ms M.
- Refund Ms M all payments for the period from 1 April 2024 to the date of settlement.
- Pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement.
- Pay £200 for the distress or inconvenience that's has been caused to Ms M, in

addition to the £350 already paid.

- Remove any adverse entries relating to the agreement from Ms M's credit file.

If Startline Motor Finance Limited trading as Startline considers that tax should be deducted from the interest element of my award, they should provide Ms M with a certificate showing how much they have taken off so she can reclaim that amount, if she is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 19 December 2024.

Liz Feeney
Ombudsman