

The complaint

Mr L is unhappy that Zuto Limited won't arrange a refund of a deposit he paid for a used car which he wanted to purchase with finance arranged by them.

What happened

Mr L was looking to take out a finance agreement to get a used car. He approached Zuto who, acting as a credit broker, arranged finance for him on a vehicle.

He says he was told over the phone that he needed to pay a £100 refundable deposit to the dealership as part of the process. He hasn't been able to get this back despite the finance being declined and the car purchase never going ahead.

He has also said that Zuto didn't tell him that the correct information about the deposit when taking out the finance which is why it was ultimately withdrawn, so it is their fault that it was declined.

Unhappy that he hasn't been able to get the £100 back, Mr L complained to Zuto. They told him that the dealership should refund him the £100 but the dealership has refused to do this.

Zuto also said that the withdrawal of the finance agreement was the decision of the lender, so it was beyond their control.

Our investigator looked at the complaint and said that as the £100 was paid to the dealership and not Zuto, it isn't their responsibility to refund it.

Mr L disagreed, so the case was been passed to me for decision.

I sent Mr L and Zuto my provisional decision on this case, on 7 June 2024. I explained why I think the complaint should be upheld. A copy of my provisional findings is included below:

Mr L wasn't able to purchase his car because the finance was withdrawn. He says this was because Zuto misadvised him about the deposit that was required for the finance to go ahead. I haven't received the information I requested from Zuto about how the finance was set up, but I don't think the reasons the loan did or didn't go through change the advice given to Mr L regarding the deposit.

Mr L has said he arranged the majority of the purchase and finance of the car over the phone with Zuto. He said he was told that he needed to pay £100 to the dealership but that he would get this back when he went to collect the car or if anything outside of his control happened.

I've asked Zuto for the calls Mr L had with their agents, but these haven't been provided. I find Mr L's testimony persuasive that he was told he would be able to get the £100 back if anything went wrong. This is because I've seen emails from Zuto which direct Mr L to the dealership in order to get a refund. I don't think they would have told Mr L to approach the dealership if they knew the deposit was non-refundable. So, I think it is likely that Mr L was told the deposit was refundable.

Mr L has also said that he was reluctant to pay the dealership at first but went ahead because he had signed the finance agreement. I have no reason to doubt Mr L's plausible and consistent testimony that Zuto had given him the impression that the car purchase and finance would go ahead. This is because he says as far as he was aware, he had signed the agreement and the lender had already agreed to it which meant paying the deposit was the last thing he needed to do.

Mr L's finance was withdrawn shortly after Mr L had paid the dealership. Based on what I've seen I think if Zuto had explained that the deposit wasn't refundable and had given Mr L clear information about whether the finance was approved, he likely would've waited before paying. This means he wouldn't have lost out when the finance was withdrawn.

For this reason, I intend to uphold this complaint and ask Zuto to pay Mr L the £100 deposit amount.

I've considered that the situation around his application for finance has caused Mr L frustration. He has had to contact both Zuto and the dealership to get information about the deposit and who was responsible for it, which must have been time consuming. So, I also think Zuto should pay him £50 compensation to reflect the distress and inconvenience they've caused.

Mr L responded to my decision and accepted it. Zuto didn't respond.

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.

As Mr L accepted my findings, and I didn't receive any further comments from Zuto, I see no reason to depart from the conclusions I reached in my provisional decision.

Putting things right

For these reasons, Zuto Limited should do the following:

1. Pay Mr L the £100 dealership deposit;
2. Add 8% simple interest on part one of this settlement from the date Mr L requested the refund on 15 October 2022 to the date of settlement; and
3. Pay Mr L £50 for the distress and inconvenience he's experienced.

Zuto must pay these amounts within 28 days of the date on which we tell them Mr L 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 Zuto deducts tax from any interest they pay to Mr L, they should provide Mr L 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 Zuto Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or

reject my decision before 22 July 2024.

Ami Bains
Ombudsman