

The complaint

Mr E complains that Zuto Limited released funds to a car dealership without his authorisation. He says this led to him losing the ability to negotiate with the dealership about issues with the vehicle.

What happened

Mr E applied to Zuto for a loan in order to purchase a car. After being approved for the loan, Mr E found a car he was interested in purchasing. He paid a holding deposit to the dealership so that the car wouldn't be sold.

On 3 May 2024 Mr E had a telephone call with Zuto to run through the figures and confirm the monthly payments. He then signed the agreement electronically. Mr E agreed with Zuto that they would hold the funds until Mr E asked for the funds to be released as he wanted to visit the dealership and have another look at the car.

On 3 May 2024 Zuto sent a text message to Mr E advising him that the funds had been paid to the dealership and he could collect the car.

Mr E went to the dealership and collected the car.

On 4 May 2024 Mr E called Zuto to complain. He said he wasn't happy that the funds had been paid to the dealership without his authorisation and said there were several issues with the car which he hadn't been able to negotiate with the dealer because they'd already been sent the funds. Mr E said he wanted Zuto to cover the cost of two new tyres (£382.25), an exterior wash (£70), leather seats and door cards (£245), carpet and mat cleaning (£130) and body polishing (£140).

Zuto issued a Final Response on 13 May 2024. It said it had listened to the relevant call recordings and acknowledged that it had made an error by sending the funds upfront to the dealership when it had been agreed with Mr E that they would wait for authorisation from him. Zuto apologised for the error. Zuto also said that Mr E had been notified by text message that his finance application was complete and to make the necessary arrangements with the dealership. Zuto said that Mr E had accepted the car in the condition it was in and that the issues he had raised were cosmetic.

Mr E remained unhappy and brought his complaint to this service.

Following the referral of the complaint to this service, Zuto made an offer to resolve the complaint. It offered compensation of £50.

Mr E wasn't happy to accept the offer.

Our investigator upheld the complaint. She said that Mr E had incurred out of pocket expenses as a result of Zuto's error and said Zuto should pay for two new tyres and an exterior wash as well as compensation of £50 for the distress and inconvenience caused.

Mr E accepted the investigators view but Zuto didn't agree. It said that Mr E could've

declined to collect the car and walked away if he wasn't happy with the condition of the car. Zuto said that by collecting the car and driving it home, Mr E had accepted the car in the condition it was in. Zuto said that tyres and cleaning weren't quality issues with the car, and it had spoken to the dealership when Mr E first raised his complaint who said there were no quality issues with the car.

Because Zuto didn't agree I've been asked to review the complaint.

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.

Zuto has accepted in its final response that it made an error when it released the funds to the supplying dealership without Mr E's authorisation. It acknowledges that it was agreed with Mr E on the phone that it would wait until Mr E gave authorisation before sending funds to the dealership.

Zuto has apologised for the error and has offered to pay compensation of £50. I've thought about whether this is fair and reasonable, taking into account the impact of the error on Mr E.

Mr E has said that because the dealership had already received payment, he lost the ability to negotiate with the dealership about the issues with the car. Mr E has identified what these issues were and has provided details of the costs of putting each issue right.

Zopa has said that if Mr E wasn't happy with the condition of the car, then he shouldn't have accepted it and driven it home. However, this isn't quite the point Mr E is making. This isn't a case where it's being said that the car isn't of satisfactory quality. What Mr E is saying is that he was denied the opportunity to negotiate with the dealer about some cosmetic (as opposed to quality) issues.

I've thought about this. It isn't uncommon for consumers to ask a dealership to valet a car or attend to minor cosmetic issues as part of the sale, or (alternatively) to reduce the purchase price slightly to reflect any cosmetic issues. In this case, because the dealership had already received funds from Zuto, there was no opportunity for any negotiation.

Looking at the list of things Mr E has said are wrong with the car, I don't think it's likely that the dealership would've dealt with all of these. However, I think it's more likely than not that Mr E would've been able to negotiate some of the issues with the dealership had the funds not already been sent by Zopa.

In the circumstances I don't think it's unreasonable to ask Zopa to meet the costs of two new tyres and an exterior wash.

Zuto has said that Mr E could've called Zuto to question the transfer of funds when he received the text. I've thought about this. However, by the time Mr E received the text, the dealership already had the funds, so Mr E's ability to negotiate over the cosmetic issues was already lost. If Mr E had contacted Zuto I can't see that this would've made any difference.

For these reasons I agree with the investigators opinion that Zuto should refund Mr E for the costs of an exterior wash and two tyres. Mr E will need to provide an invoice for these items and the costs should not exceed those costs which were set out by Mr E previously (£70 for the exterior wash and £382.25 for the tyres.) Zuto should also pay the £50 compensation it has offered to Mr E for the distress and inconvenience caused to him.

Putting things right

To put things right, Zuto Limited must:

Refund Mr E for the costs of two new tyres and an exterior wash upon Mr E providing invoices for these items

Pay compensation of £50 for the distress and inconvenience caused to Mr E as a result of the error

My final decision

My final decision is that I uphold the complaint. Zuto Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 3 December 2024.

Emma Davy
Ombudsman