

The complaint

Mr Q is unhappy that Zuto Limited arranged finance on a car he wanted to acquire with a lender that didn't lend on modified cars.

What happened

In April 2024, in their role as a credit broker, Zuto arranged finance with Lender A to allow Mr Q to acquire a used car. The car Mr Q wanted to acquire had been modified – the engine had been remapped and an aftermarket exhaust had been fitted. The car was advertised as being modified, and Mr Q wanted to acquire it on this basis.

After taking possession of the car, Mr Q was unhappy that the flash tool (a key component of the engine remap) wasn't working correctly. He initially complained to the supplying dealership about this, but they failed to respond. So, he complained to Lender A.

Lender A said they were unaware the car had been modified, and that they don't finance modified cars. They explained this was a breach of the agreement which would now need to be terminated. Unable to repay the agreement in full, Mr Q had no choice but to hand the car back. He was unhappy with this, and that he'd already spent money improving the car. So, he complained to Zuto.

In their complaint response, Zuto explained that some lenders do not finance modified cars. They explained that Mr Q had already had his deposit refunded, and they offered him £150 as a goodwill gesture for the inconvenience he'd been caused. Unhappy with this response, Mr Q brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator explained that arranging credit was a regulated activity, so this complaint was something we were able to consider. They didn't think Zuto had used reasonable care and skill when arranging the finance with Lender A, as Lender A didn't finance modified cars. So, they thought Zuto were responsible for the losses Mr Q had incurred.

As such, the investigator said Zuto should refund the £640.13 Mr Q had spent improving the car; refund the £249 admin fee he'd paid; and reimburse the £84.21 loss Mr Q had incurred in having to cancel his insurance. This was in addition to the £150 Zuto had offered for the inconvenience Mr Q had suffered.

Zuto didn't agree with the investigator's opinion. They felt that Mr Q had 'actively pursued' the rejection of the car with Lender A, so they weren't responsible for any costs resulting from this. They also didn't think it was fair they were being asked to cover the costs in improving the car *after* it had been supplied to Mr Q.

Because Zuto didn't agree, this matter has been passed to me to make a 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.

Having done so, I've reached the same overall conclusions as the 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. Zuto were acting in their role as a credit broker in arranging the finance through Lender A, so we are able to investigate complaints about this.

As the investigator explained, what we're looking to see is if Zuto used reasonable care and skill in brokering the deal, in line with their regulatory obligations. I don't think they did, and I'll explain why.

Mr Q was looking to acquire a car which was clearly advertised as being modified. Mr Q was aware of these modifications and was happy to acquire the car on this basis – as he's explained it was his intention to further modify/improve the car once he'd acquired it.

As a credit broker, it's reasonable to assume that Zuto will be aware of the general lending requirement of the lenders they work with. So, I'm satisfied they ought reasonably to have known that Lender A didn't finance modified cars. As such, when selecting Lender A to finance the car Mr Q wanted to acquire, I would expect 'reasonable care and skill' to include a basic check to confirm the car hadn't been modified i.e. that it met the basic criteria to be financed by Lender A.

It's not disputed that the car was advertised as being modified. As such, a basic check of the advert, or asking the dealership some basic questions, would have identified the car was modified, and therefore didn't meet the criteria to be financed by Lender A. I'm therefore satisfied that Zuto most likely didn't carry out their basic due diligence, for had they done so, they would've had to choose a different lender. So, I'm satisfied Zuto failed to exercise reasonable care and skill when arranging the finance and therefore need to do something to put things right.

Putting things right

Zuto have said that Mr Q actively pursued rejection with Lender A. But I don't agree this was the case. There was an issue with the car supplied to Mr Q, and he initially complained to the supplying dealership. When they didn't respond, in line with the Consumer Rights Act 2015 he complained directly to Lender A – as the supplier of the car they are responsible for its quality, so Mr Q acted reasonably by doing this.

On reviewing the complaint, and finding out the car was modified, Lender A explained to Mr Q they were no longer able to finance the car. As Mr Q was not in a position to repay the finance in full at this point, and take ownership of the car, his only viable option was to return the car to the dealership and unwind the agreement. Mr Q didn't contact Lender A with the intention of rejecting the car, nor did he actively pursue this as an option. And he incurred losses as a result of what happened.

Mr Q has provided evidence that he's spent £640.13 improving the car between supply and when it was returned. This includes lowering the springs, upgrading the suspension, new tyres and wheel nuts, extending the spoiler, undersealing, fitting wind deflectors and new car

mats. I'm satisfied that, for the most part, these items couldn't easily be removed from the car once fitted and, if removed, they would have limited to no refund value.

Had Mr Q been placed with a finance company that allowed modified cars, then he would've benefitted from these improvements. But, as this didn't happen due to Zuto's failure to exercise reasonable care and skill, I think it's reasonable they reimburse him for this cost.

Mr Q has also provided evidence of his insurance costs and that, once a pro-rata usage has been deducted, he's still incurred a loss of £84.21 based upon what he paid, and how much was refunded. Again, the insurance cancellation costs were only incurred because Zuto selected an incompatible finance provider, so they should reimburse Mr Q this cost. They should also reimburse the £249 admin fee Mr Q paid, as they failed to arrange finance appropriate to the car.

Therefore, if they haven't already, Zuto should:

- upon receipt of proof of payment, reimburse Mr Q the costs he spent improving and upgrading the car, between 26 April and 25 June 2024, up to a maximum of £640.13;
- refund the £84.21 insurance cancellation loss Mr Q incurred on 9 September 2024 (the date the insurance premium was refunded);
- refund the £249 admin fee Mr Q paid;
- apply 8% simple yearly interest on these refunds, calculated from the date Mr Q made the payments to the date of the refund[†]; and
- pay Mr Q the £150 they offered in their final complaint response dated 24 July 2024 (if not already paid, Zuto must pay this compensation within 28 days of the date on which we tell them Mr Q accepts my final decision. If they pay later than this date, Zuto must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment[†]).

[†]If HM Revenue & Customs requires Zuto to take off tax from this interest, Zuto must give Mr Q a certificate showing how much tax they've taken off if he asks for one.

My final decision

For the reasons explained, I uphold Mr Q's complaint about Zuto Limited. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 8 July 2025.

Andrew Burford
Ombudsman