DRN-5712237

The complaint

Mr M complains that Pendragon Finance and Insurance Services Limited trading as Stratstone failed to process his application for a car hire agreement after he accepted a quote.

What happened

I issued a provisional decision setting out what I thought about Mr M's complaint. I've copied the relevant parts of that provisional decision below – and they form part of this final decision.

"In May 2024, Mr M contacted Stratstone to enquire about a hire agreement for a new car. He said he'd received a competitive quote from another lender and asked Stratstone to match it. Stratstone agreed to match the quote, and asked Mr M to pay a holding deposit of £500. The quote was updated in June 2024 when Mr M asked to change some of the car's specifications. The new quoted amount included an advanced rental of £10,000 and monthly rental payments of around £860. Mr M told Stratstone he wanted to accept the quote, and the car was placed on order.

The car was delivered to the UK in October 2024. A few weeks before it was delivered, Stratstone sent Mr M a lease agreement with the finalised details. Mr M queried the agreement – as the monthly rentals had increased to around £1,000. Stratstone said the previous quote was only valid until 14 June 2024 so had expired – and that the agreement included the most up to date hire rates from the lender.

Mr M was unhappy with the increased monthly cost, and decided not to enter into the agreement. His wife (Mrs M) entered into the agreement instead and acquired the car. Mr M made a complaint. He said he'd agreed to order the car at the initially quoted monthly cost, and didn't think it was fair that it increased shortly before the car was delivered. He said this put Mrs M in the position of having no choice but to accept the increased cost – as they'd have lost out on the car otherwise and would have had to start the process again. He asked Stratstone to reimburse the difference between the rate it had originally quoted and the one Mrs M had later agreed.

Stratstone didn't agree it had done anything wrong. It said that while it would communicate quotes from lenders, it wouldn't put through a credit application on a new car until it was nearly ready to be delivered. This is because applications expire after 90 days – so if the car wasn't delivered during that time the application would need to be resubmitted, which would result in an additional credit search. It said that while it's unfortunate that the lender decided to increase its prices after the car had been ordered, that was ultimately outside of its control as a credit broker.

Mr M referred his complaint to the Financial Ombudsman Service (Financial Ombudsman). He said he recalled being told the £500 holding deposit would secure the quoted rate. He believed the agent had made an error by not processing his application with the lender at that point – and he shouldn't have been required to pay an increased cost as a result. He didn't think Stratstone had met its regulatory obligations, as it hadn't acted in his best *interest. He said that because of Stratstone’s error, Mrs M was now paying an increased cost for the car.*

Our Investigator considered the complaint and upheld it. They said Stratstone should have made it clear to Mr M that the quoted rate was subject to change, and that not doing so caused him disappointment and inconvenience. But they didn’t think it was ultimately Stratstone’s fault that the rate had increased. They recommended that Stratstone pay Mr M £250 to put things right. They also recommended that the £500 holding deposit be reimbursed – unless it was put towards an agreement. Mr M later clarified that the holding deposit was put toward the agreement that Mrs M took out.

Mr M didn’t accept the Investigator’s conclusions. He said Stratstone failed to follow its usual process which had put him at a disadvantage – so it had breached the requirements set out in the Consumer Duty. He also said that if he’d known the monthly rental cost would increase, he could have gone back to the broker he received the original quote from. He asked that the complaint be referred to an Ombudsman for a decision. So, it’s been passed to me to decide.

What I’ve provisionally 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.

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 more likely than not 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, standards and codes of practice - including the Consumer Duty. Where appropriate, I’ve also considered what was good industry practice at the time. Mr M asked to be supplied with a car under a hire agreement arranged by Stratstone. This is a regulated consumer credit agreement, which means I can investigate complaints about its arrangement.

The scope of Mr M’s complaint

Under this complaint, I’ve considered Mr M’s concerns about how Stratstone dealt with his credit application. Where I’ve found that Stratstone made an error, I’ve considered how that error impacted Mr M. Under this complaint I haven’t considered the impact to any other party – including Mrs M – and I cannot compensate Mr M for someone else’s losses.

Mr M says he and Mrs M have suffered a joint loss – and has asked that I consider their complaints together. Although he originally applied for the finance, Mr M isn’t party to the agreement that was eventually put in place. And the agreement wasn’t taken out jointly between Mr and Mrs M. If Mrs M would like this service to consider her complaint, she can ask us to do so separately.

Mr M’s credit application

I can appreciate it would have come as a disappointment to Mr M to discover that the monthly rental cost would be more expensive than he initially believed. I’ve considered whether Stratstone made an error when processing Mr M’s application, or whether it otherwise treated him unfairly. Stratstone was responsible for arranging and submitting Mr M’s credit application. But it wasn’t responsible for deciding the eventual terms of the hire agreement or the monthly rental costs – that was determined by the lender.

When a customer applies for a car hire agreement, a lender will typically process the application and carry out credit checks to determine whether it's able to offer finance. Once an application has been accepted, it will typically be valid for up to 90 days. After that time, the application will no longer be valid and the customer may need to re-apply. This might result in the lender re-assessing the application and carrying out further checks before agreeing to lend.

In this case, Stratstone said it didn't process Mr M's original application at the time – as he was purchasing a new car which would likely take several months to be built and delivered.

I don't find it unreasonable that Stratstone didn't process Mr M's application immediately after he accepted the quote. Doing so would likely have resulted in the application expiring before the car was delivered. This would have required Mr M to resubmit the application, which may have resulted in a second credit check. While Mr M says he would have been happy to take the risk of a second credit check, I wouldn't have expected Stratstone to process the application more than 90 days before the delivery date – as any rate agreed before that time would likely have been reassessed by the lender if the application were to expire.

Mr M says Stratstone knew the lead time for the car from the outset, and that he was told around the time he placed the order that delivery would take roughly four months – which ended up being close to accurate. Unfortunately, the information Mr M was originally given when requesting the quote isn't available. But I've seen an email from Stratstone dated 16 August 2024, stating that the car was due to be delivered in mid-October 2024.

Taking this into consideration, I agree with Mr M that Stratstone could have processed his application earlier than it did. Stratstone would have been aware that the quoted rate was subject to change – and that there was a risk that the rate would increase if the application was delayed. It was aware – at the very latest – by 16 August 2024 that the car would be arriving in mid-October. If the application was to be processed at that stage, the agreement would still be valid when the car was delivered – even accounting for a potential delay of several weeks. So, I see no reason for the application not to have been referred to the lender at that time.

Mr M says that when accepting the quote, he was asked to pay a deposit of £500 to 'lock in' the rate – so he was under the impression that the costs had been set and wouldn't change. Stratstone says the deposit was simply a demonstration of intent required for it to place the car on order, and wasn't related to the finance application. The deposit was discussed and paid over the phone – and there are no longer any records of this call. When the finance agreement was later arranged for Mrs M, the £500 deposit was put towards the advance rental payment.

I've considered what's likely to have happened, taking the available evidence into account. Neither the credit agreement nor the quotes provided by the lender mention a deposit of £500. I don't doubt that Mr M recalls being told the deposit would 'lock in' the rate. But if the deposit was designed to fix the monthly rentals, I think it's likely this would have been noted on the lender's documentation – or would otherwise have been confirmed in writing. Based on the available evidence, I can't fairly conclude – on balance – that Mr M was told paying the deposit meant the monthly rentals would stay the same.

But I do think Stratstone ought to have been clearer with Mr M about the application process. After confirming that he wanted to go ahead with the quoted rate, Mr M asked if any further action was needed from him and whether the credit check would be happening soon. Stratstone didn't respond to these emails, and next got back in touch with Mr M in mid-

August 2024. I think it's reasonably clear Mr M was under the impression that the application process started when he accepted the quote, and that the quoted rate had been agreed.

While Stratstone wasn't ultimately in control of the lender's decision to change the rate, it was required to present information in a way that was clear, fair and not-misleading – to allow Mr M to make an informed choice. I think it ought to have done more to explain that the quoted rate was subject to change – and that the application wouldn't be put through until closer to the delivery of the car. Mr M had asked specific questions about the next steps, which Stratstone didn't respond to.

Mr M says Stratstone breached the requirements set by the Consumer Duty, as it didn't act in his best interests or to prevent foreseeable harm. I've taken this into account. But, as I've already concluded that Stratstone didn't treat Mr M fairly – for broadly the same reasons that Mr M argues - I don't think it's necessary for me to comment further on this point.

Putting things right

As I've outlined, I'm satisfied Stratstone ought to have processed Mr M's application earlier than it did. It should also have done more to communicate effectively with Mr M, and to explain that the quoted rate was subject to change. I've considered the impact the situation has had on Mr M.

For the reasons I've explained above, I've only considered the impact of Stratstone's errors on Mr M. He decided not to take out an agreement, so wasn't party to it or subject to any payment arrangement. While he may have chosen to contribute payments towards the agreement taken out by Mrs M, that's not something I can consider here – as that agreement wasn't his.

I haven't seen anything to suggest that Mr M himself incurred a direct financial loss as a result of Stratstone's handling of his application – as he decided not to proceed with the agreement and didn't take one out elsewhere. So, I won't be asking Stratstone to reimburse the amounts he's asked for. But I have considered the distress and inconvenience that was caused.

Mr M wasn't aware until the week before the car was delivered that the rate was subject to change or that it had increased. This caused him some avoidable frustration, confusion and disappointment. Had Stratstone made things clearer to Mr M at an earlier point – or offered to submit his application sooner than it did – he would have been in a better position to make an informed choice about the application. He also would have had the opportunity to shop around or pursue the other quote that he'd already obtained had he been aware of the true potential cost of the agreement. Taking this into account, I think £250 is a fair reflection of the distress and inconvenience Stratstone has caused Mr M, so I intend to require it to pay that amount."

Responses to my provisional decision

Stratstone said it accepted my provisional decision, and didn't provide any further comments or evidence for me to consider. Mr M didn't respond to my provisional 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.

Neither party has provided any new information or evidence in response to my provisional decision – and I see no reason to depart from it.

So, my decision remains the same. For the reasons outlined in my provisional decision, I require Stratstone to pay Mr M compensation of £250.

My final decision

My final decision is that I uphold Mr M's complaint. I require Pendragon Finance and Insurance Services Limited trading as Stratstone to pay Mr M £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 August 2025.

Stephen Billings
Ombudsman