

The complaint

Mrs B complains about the quality of a new car she acquired through a hire agreement with Zenauto Limited ('Zenauto'). Mrs B says that the car wasn't of satisfactory quality. Zenauto has now agreed that this is the case, and it has offered to pay compensation. But Mrs B doesn't think that the amount of compensation provided is reasonable.

What happened

Our Investigator thought the complaint should be not upheld as he thought the offer of compensation already made was fair. Mrs B disagreed with the Investigator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mrs B's complaint should be upheld and that the compensation should be changed. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

What I said in my provisional decision:

Mrs B's complaint is about the quality of a car she acquired in July 2022. The car was new, and she acquired it using a hire agreement that was started in June 2022. Mrs B made a £2,208.78 initial payment. The agreement was to be repaid through 36 monthly instalments. There were 35 monthly repayments of £368.13 and then a final instalment of £419.26.

Mrs B has complained about the quality of the car. Below is a summary of the issues complained about by Mrs B and the investigation and repair work that has been carried out by the dealership, alongside what has happened in respect of the complaint.

Mrs B says she contacted Zenauto in the first month of ownership about a 'juddering' problem she had with the car. She also says the infotainment system (including the satellite navigation system and related controls) were faulty. I've seen evidence to show that these issues were brought to the attention of Zenauto, and the dealership, at this time and it's now accepted that this was the case.

The issues with the car have been long running and it has been investigated several times by the dealership, but the dealership wasn't able to replicate the faults Mrs B was experiencing. In time the car was looked at by an independent reporting business. The report dated in November 2024 concluded that:

'We would conclude based on the evidence available to ourselves at the time of inspection, we were able to confirm faults with the vehicle in regards to the sat nav. location having a delay, volume control being inoperative on the steering wheel, the music skip button being intermittent and faults present in regards to the gearbox performance.

I think the report established that the car was faulty at the time the report was completed. And these were the same faults Mrs B had said were present all along. So the faults would have been present at the time of supply.

Mrs B has complained to Zenauto about the problems she has had with the car. Zenauto considered this complaint and upheld it. In the second final response it issued, it said that the independent report had shown that the faults that Mrs B had complained about were present from the time of supply and so it must be assumed that they were there at delivery. It has offered to:

- Refund 15% of the amounts Mrs B has paid since the agreement was started.
- Pay £300 for the distress and inconvenience caused by problems with the car.
- Refund the payment made in December 2024.

I understand the car was returned to Zenauto in December 2024 and the contract has ended. Mrs B has received compensation of £1,846.46. But she was also invoiced for the excess mileage she had covered which was £301.68. I've not seen this invoice, but I understand it was apportioned in respect of the excess mileage allowance in the contract.

Mrs B didn't agree with this and brought her complaint to the Financial Ombudsman Service. She thought the compensation wasn't enough.

Our Investigator didn't uphold Mrs B's complaint. He thought that the offer made by Zenauto was fair under the circumstances.

Mrs B didn't agree with the Investigator. She's said, over several correspondences, the compensation isn't enough. She thinks that the compensation of 15% of the hire payments should be higher at 50%. This better reflects the loss of use of the car. And she also thinks the compensation for the distress and inconvenience she has suffered should be higher. She thinks the deposit she paid should be returned and that she shouldn't have paid the excess mileage charge.

There was some further correspondence, but no new issues were raised. Because Mrs B didn't agree, this matter has been passed to me to make a final decision.

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.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider was good industry practice at the relevant time.

It's accepted that the car was faulty at the time of supply, so I won't consider if the car was of satisfactory quality as it's established that it wasn't. I have only considered the compensation that has been offered, and I do agree that it doesn't go far enough.

Mrs B made an initial payment. But this wasn't a deposit, it is an advance payment of the hire payments and would have reduced the amount she paid going forward. And it should be considered as a payment amount that would cover the term of the agreement. So, I think some of this should be returned to Mrs B as she hasn't been able to use the car for the full term of the agreement. The amount that should be returned to Mrs B should reflect the time that she hasn't been able to use the car. The refund of the initial payment should be pro-rata payment based on the amount of the agreement that Mrs B wasn't able to use.

Mrs B thinks 15% of the agreement is too little to compensate her for the problems she has had with the car. But the primary purpose of the car was to provide transport. And despite the problems Mrs B had with the car she has been able to use it, and she looks to have used it as much as would be expected, given the mileage allowance the agreement had. So, I think a 15% refund of the hire payments she paid is fair.

I agree that Mrs B shouldn't have paid any hire payments after December 2024 when it was recognised the car was faulty. So, the payment she made in December 2024 should be refunded to her.

Mrs B thinks that £300 compensation for the distress and inconvenience is too low. Whilst I understand why she thinks this, I must firstly bear in mind that this is in addition to the compensation I think is fair for the loss of utility of the car.

And it does also seem fair to say that the problems with the car were difficult to diagnose as they were intermittent. And whilst making sure the car was of satisfactory quality was Zenauto's responsibility, I must also bear in mind that things do go wrong from time to time. And Zenauto, and the dealership, did try to diagnose and repair the car.

Having thought about everything, I think £300 compensation is fair for the distress and inconvenience Mrs B has suffered.

Mrs B doesn't think that she should pay an excess mileage charge. The mileage allowance in the contract was 15,000 (based on an annual mileage allowance of 5,000 over three years). And Mrs B had driven the car 13,176 miles at the beginning of November when the third party inspection was completed. So, Zenauto has charged an excess mileage amount on a pro-rata basis.

And this situation is covered in the contract that Mrs B entered into. Condition 9 says that:

'Where this Agreement is ended early, the Total Mileage Allowance shall be apportioned according to the number of whole or part months which have elapsed since the Delivery Date in relation to the number of months in the contracted Period of Hire.'

And as far as I can see this is what Zenauto has done. So, I think the excess mileage charge is fair.

And lastly, interest should be added to all of the returned amounts, and I've specified this below.

Developments

Zenauto, and Mrs B received my provisional decision. Zenauto asked for some further information about how to calculate the compensation which was provided. It didn't say if it agreed or disagreed with the compensation. Mrs B broadly agreed with what I had said but noted that she has not already been paid compensation. The December 2024 payment had already been refunded to her.

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.

Zenauto, and Mrs B, didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still think the compensation should be altered for the reasons I gave in my earlier decision. As there were no significant points raised I won't comment further about this.

Putting things right

I uphold this complaint against Zenauto Limited and tell it to:

- Refund Mrs B a pro-rata portion of the initial rental to reflect the unused amount from when the car was returned.
- Refund 15% of the monthly payments made from the start of the contract until it was ended.
- Refund the December 2024 payment Mrs B made.
- Pay Mrs B 8% simple yearly interest on all refunds calculated from the date of payment to the date of settlement
- Pay Mrs B £300 compensation for the inconvenience and distress this situation has caused her.

If Zenauto considers that it's required by HM Revenue & Customs to withhold income tax from the interest part of my award, it should tell Mrs B how much it's taken off. It should also give Mrs B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

The interest can be calculated up to the time that any refunds have already been made rather than the date of settlement if this is earlier.

I think Zenauto should calculate the above compensation and then deduct any amounts already paid to Mrs B. It should then pay her the difference.

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome in this particular case.

My final decision

For the reasons I've explained, I uphold Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 25 September 2025.

Andy Burlinson
Ombudsman