

The complaint

Mr S complains that Lendable Ltd did not provide him with a full refund when he rejected a car he had taken under a hire purchase agreement.

What happened

On 26 November 2024 Mr S entered into a hire purchase agreement for a used car with Lendable. Under the terms of the agreement Mr S was to pay £2,000 to the car dealership and to take out credit of £11,995 with Lendable, repayable over five years.

Faults developed with the car quite soon after delivery. The dealership tried unsuccessfully to repair them and, on or about 12 February 2025, it was agreed that Mr S could reject the car.

Lendable arranged for the hire purchase agreement to be terminated. Mr S did not however receive the deposit of £2,000 which he had paid direct to the dealership. It said that it was entitled to retain that money to cover the cost of a missing key, a mileage allowance, the cost of cleaning the car (including dog hair removal) and the cost of returning the dog cage and other items which Mr S had left in the car. It assessed the cost of dealing with those matters at just over £2,000.

Mr S referred the matter to this service. Lendable said that we had no power to consider his complaint, since the deposit had been paid to the dealership. Our investigator did not agree; the complaint was about how the finance agreement had been brought to an end, so it was a complaint about a regulated consumer credit agreement.

The investigator went on to consider the merits of the complaint. He concluded, in summary, that Mr S had taken reasonable steps to return the spare key and that it would not be fair to hold him liable for the cost of a replacement. That was the main issue in dispute. The investigator recommended that Lendable refund the deposit and any payments which Mr S had made under the hire purchase agreement, together with interest. He also recommended that Lendable pay Mr S a further £200 in recognition of the inconvenience to which he had been put.

Mr S accepted the investigator's recommendation, but Lendable did not. It asked that an ombudsman review the case.

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.

Lendable and the dealership accepted Mr S's rejection of the car, so I do not need to discuss the nature or extent of any faults with it. I have however considered what Lendable should have done, having accepted that Mr S had properly exercised his right to reject the car.

Under section 20(10) of the Consumer Rights Act 2015, a consumer who has exercised a right to reject goods and who has paid money under a contract is entitled to receive the same amount of money back. I have considered whether in this case it would be fair to deduct anything for the use which Mr S had of the car, but have concluded that it would not. Any such use was of a car which was unsatisfactory from very soon after delivery. I do not believe it matters either that the deposit was paid to the dealership. It was paid because it was a requirement of the hire purchase agreement.

Having identified faults with the car, Mr S returned it to the dealership so that it could carry out repairs. He did not at that point expect to have to reject the car. His expectation was that it would be repaired. For that reason, he had not removed personal items and had not provided the dealership with the spare key and paperwork. He only decided to reject the car when it became clear that it could not be repaired.

Where a consumer exercises a right to reject goods, it is for the trader to bear the reasonable costs of returning them – section 20(8) of the Consumer Rights Act. The clear intention is that a consumer should not be out of pocket as a result of having to arrange for the return of goods. The circumstances in this case were such that Mr S had returned the car before he rejected it, but that also meant the dealership was unintentionally in possession of some of his personal items. Given the intention of section 20(8), I don't believe it would be fair for Mr S to have to pay for their return.

Clause 9 of the hire purchase agreement dealt with the use and care of the car. It required Mr S to keep it in good repair and condition. It also set out some restrictions on the car's use. It could not, for example, be used as a taxi or for racing. The dealership said that Mr S should pay for the car to be cleaned. It noted in particular that there was dog hair which needed to be removed. In my view, however, the presence of dog hair does not mean that the car was not kept in good condition; nor does it constitute damage for which Mr S would be responsible under clause 9. Lendable has suggested that the presence of dog hair was outside reasonable use. I don't agree. The car was a compact SUV of a type which many people would use for transporting pets. And I have no doubt it would have been thoroughly cleaned before being placed back on the market, whether it had been used to carry a dog or not.

I turn finally to the spare key. Mr S says he returned it by post, along with relevant paperwork. He has provided evidence of a package which was tracked and signed for by the dealership. The investigator thought this showed that Mr S had taken reasonable steps to return the key. I would go a little further and say that it shows, on balance, that the key was in fact returned. The dealership says that it received the package, but that it was open and did not contain a key. I think it unlikely however that an open package would have been delivered or signed for without comment.

Lendable has noted that Mr S could make a claim if the package was not successfully delivered, so there is a possibility that he could make a double recovery. However, it seems most unlikely to me that any such claim would be successful, given that the package was signed for.

I therefore agree with investigator's recommendation in this case.

Your text here

My final decision

For these reasons, my final decision is that, to resolve Mr S's complaint, Lendable Ltd should:

- refund the deposit of £2,000;
- to the extent it has not already done so, refund all payments made under the hire purchase agreement;
- pay interest at 8% a year simple on the above refunds from the date of payment until the date of the refund; and
- pay Mr S £200 in recognition of the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 October 2025.

Mike Ingram

Ombudsman