



Sale or Return in the Motor Trade: Opportunity or Risk?

Sale or Return (SOR) agreements remain a popular tool within the motor trade, providing dealers with stock flexibility and vehicle owners with access to established retail channels. In principle, SOR can deliver benefits to both parties: the dealer avoids tying up working capital in a purchase, while the owner gains a potentially higher return than through private sale or part-exchange.

However, as with any commercial arrangement, the structure carries inherent risks. Both owners and dealers should carefully weigh these considerations before entering into an SOR agreement.

Risks for Vehicle Owners

Custody and Control - Once a vehicle is consigned, owners effectively hand over day-to-day control. Dealers may use the car for demonstration purposes or allow multiple test drives, which can accelerate wear or expose the vehicle to accidental damage.

Insurance Ambiguity - A common point of contention is insurance responsibility. Unless clearly defined in the agreement, there can be gaps in cover should the vehicle be stolen, damaged, or written off while on-site. Owners should never assume the dealer's motor trade policy extends to their vehicle without confirmation in writing.

Dealer Insolvency and Administration - Perhaps the most significant risk arises if a dealer enters administration. In these cases, all assets on-site may be treated as part of the business until legal ownership can be established. If SOR arrangements are poorly documented, owners may face lengthy delays or even lose their vehicles while administrators determine entitlement. Without watertight contracts and evidence of ownership, vehicles can become tied up in insolvency proceedings.



Contracts That Don't Hold Up - Even when contracts are drafted, not all are legally enforceable. Some SOR agreements may fail to properly assign ownership, outline payment terms, or specify responsibilities in line with consumer law. In disputes, courts or administrators may disregard poorly worded documents, leaving owners exposed and dealers uncertain of their rights.

Delayed or Withheld Funds - Even once a vehicle is sold, owners sometimes experience delays in payment. In the worst cases, funds may be diverted to cover the dealer's cash flow pressures.

Risks for Dealers

Uncertain Returns - Unlike stock purchased outright, an SOR vehicle offers no guaranteed margin. Dealers may invest time, marketing spend, and workshop resources without securing a sale.

Overheads - Storage, preparation, and compliance costs fall on the dealer. Cars that linger on forecourts tie up resources without generating revenue.

Consumer Rights Liability - Where an SOR vehicle is sold to a retail customer, the dealer assumes responsibility under consumer protection law. If a buyer later exercises their right to reject the car within the statutory period, or raises a claim for misrepresentation or faults, it is the dealer — not the owner — who must resolve the issue. This can mean refunding the buyer and being left with a vehicle that may now be harder to retail.

Impact on SOR Payments - If funds have already been passed on to the owner, the dealer may have to absorb the financial hit. Conversely, if payment has not yet been made, the owner may be left waiting indefinitely while the dispute plays out. Unless addressed in the agreement, these situations can create legal and financial grey areas.

Reputation Management - Customers rarely distinguish between SOR and owned stock. A poorly prepared vehicle or post-sale issue can erode trust in the dealer's brand.



Mitigating the Risks

- **Comprehensive Agreements:** Written contracts should be professionally drafted to ensure they are legally recognised and enforceable. Terms should cover insurance, test drives, preparation, payment timelines, insolvency, and consumer rejection scenarios.
- **Due Diligence:** Dealers must verify ownership and check for outstanding finance before marketing any SOR vehicle.
- **Financial Safeguards:** Owners should consider escrow arrangements or ring-fenced accounts to protect sale proceeds and reduce exposure in the event of dealer failure or refund obligations.
- **Consumer Law Awareness:** Both parties must understand that the dealer carries liability for retail sales under the Consumer Rights Act. Agreements should state whether, and how, an owner may be asked to contribute if a refund situation arises.
- **Legal Review:** Where possible, contracts should be reviewed by legal professionals familiar with motor trade law, ensuring they stand up to scrutiny if challenged in court or during administration.
- **Communication Protocols:** Regular reporting on enquiries, offers, and customer feedback helps to maintain transparency and trust.

Final Word

SOR agreements can help dealers manage stock without heavy investment and offer owners the chance of a better return than a private sale. But the risks are real. Owners may lose out if a dealer goes into administration, if consumer law triggers a refund, or if contracts don't hold up. Dealers face liability, reputation damage, and no guaranteed profit. Success depends not on the cars, but on clear contracts, professionalism, and trust.