

The complaint

Miss P complains about the quality of a car she was supplied with by Zopa Bank Limited ("Zopa") under a hire purchase agreement ("agreement").

What happened

On 24 July 2023 Miss P entered into an agreement with Zopa for a car costing £15,500 that was approximately six years old and which had travelled 108,400 miles.

Under the terms of the agreement, everything else being equal, Miss P undertook to make an advance payment of £8,500 followed by 60 monthly payments of £156.40 making a total repayable of £17,884.06 at an APR of 12.9%.

On 6 September 2023 Miss P contacted Zopa to say that since taking delivery of the car it had been returned to the original supplying dealership for two new tyres and a piston jet solenoid repair and to advise it that the engine management light was illuminated, the car had gone into limp mode and her recovery agent had noted three fault codes were present. She also advised Zopa that the original supplying dealership had refused to assist her.

On 22 September 2023 the car, at Zopa's request, was inspected by an engineer that I will call "D". D advised Zopa that the car had a number of faults present (including what appeared to be a failed repair by the original supplying dealership) and that the car was more likely than not of unsatisfactory quality when supplied to Miss P.

Following receipt of D's inspection findings Zopa agreed to pay for any required repairs to the car, repairs (rather than rejection) being Miss P's preferred option to 'settle matters'.

On 1 November 2023, and after Miss P had complained about the delays in Zopa authorising the required repairs and its failure to keep her updated in a timely manner, Zopa issued a final response letter ("FRL"). Under cover of this FRL Zopa apologised for the distress and inconvenience Miss P had been caused as a result of being supplied with a car that was of unsatisfactory quality and to advise that it would be refunding Miss P's September and October 2023 agreement payments.

On 2 January 2024 Zopa advised our service that the car had now been fully repaired and to settle matters it was prepared to refund Miss P her November 2023 agreement payment and to pay her an additional £100.

On 4 January 2024 Miss P advised our service that the car had indeed been fully repaired and returned to her (on 21 December 2023) but Zopa's decision to refund her two agreement payments (as advised under cover of its FRL) was insufficient compensation.

On 9 January 2024 Zopa advised our service that it was prepared to pay Miss P a further £50 to settle matters.

Miss P's complaint was considered by one of our investigators who came to the view that it should be upheld and that Zopa should:

- refund to Miss P, to the extent it hadn't done so already, the payments she had made in respect of the agreement for September, October, November and December 2023 together with interest
- pay Miss P £150 for the distress and inconvenience this whole matter had caused her
- remove any adverse information it had recorded with credit reference agencies in respect of the agreement

Zopa accepted the investigator's view but Miss P didn't. And because of the latter Miss P's complaint was passed to me for review and decision.

In October 2024 I issued a provisional decision on this case. In summary I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

First I would like to make clear that I've read the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point (including those made by Miss P in her substantive response to the investigator's view) or particular piece of evidence, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome. Our rules allow me to do this, reflecting the fact that we are an informal free service set up as an alternative to the courts.

Miss P acquired the car under a regulated agreement with Zopa and as the supplier of the car, Zopa is responsible for the quality of it. Where the car is found to not be of satisfactory quality, Zopa can be held liable for that. The Consumer Rights Act 2015 ("CRA") is relevant legislation when considering the quality of goods and services. This essentially says that the car should be of satisfactory quality at the time it's supplied to Miss P.

Satisfactory quality is what a 'reasonable person' would expect, considering amongst other things the age and price of the car. Section 9 of the CRA refers to satisfactory quality and notes that the quality of goods includes their state and condition. It goes on to list the following aspects, amongst others, of the quality of goods, (a) fitness for all the purposes for which goods of that kind are usually supplied; (b) appearance and finish; (c) freedom from minor defects; (d) safety; (e) durability.

Zopa appears to accept the car was of unsatisfactory quality, but for the avoidance of doubt I would like to make clear that I'm of the same view. I say this because I wouldn't expect a car that cost over £15,000 (albeit with over 100,000 miles on the odometer) to breakdown within a matter of weeks and after only a few hundred miles being added to the odometer.

In essence Miss P is happy with the investigator's view that Zopa should refund her four monthly agreement payments (together with interest). However, she submits that she should be compensated for the cost of having to buy, insure, tax and MOT a replacement (used) car to stay mobile and that she should be awarded more than £150 for the distress and inconvenience this whole matter has caused her.

the replacement (used) car

I've seen that Miss P purchased a replacement (used) car in September 2023 for £1,050. She's also provided evidence that between September and December 2023 she paid £554.69 to tax and insure it and to get it MOTd. I've also seen evidence to show me that Miss P continued to insure and tax the car supplied by Zopa.

I'm satisfied that Miss P only purchased the replacement (used) car because the car supplied to her by Zopa wasn't drivable, and because she hadn't been supplied with a courtesy car. But, as the ownership of the replacement (used) car remains with Miss P, or has been sold on by her, I'm satisfied that Zopa doesn't need to reimburse her the £1,050 she paid for it. However, I think Zopa should refund the cost of insuring and taxing the replacement (used) car between September and December 2023 together with interest and the cost of getting it MOTd in November 2023 together with interest.

distress and inconvenience

I appreciate Miss P's strength of feeling on this point. But based on what both parties have said and submitted I'm satisfied, for the same reasons as those given by the investigator, that £150 is an appropriate sum for Zopa to have to pay her in this respect.

Zopa responded to my provisional findings to say it "[had nothing] further to add at this time, and [it] will await [my] final decision".

Miss P responded to my provisional findings to say she was "happy with [them]".

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.

As Zopa has confirmed it has nothing further to add to my provisional findings and Miss P has confirmed she is happy with my provisional findings I can confirm I see no reason to depart from them and I now confirm them as final.

My final decision

My final decision is that Zopa Bank Limited must:

- refund to Miss P, to the extent it hasn't done so already, the payments she made in respect of the agreement for September, October, November and December 2023
- pay simple interest on the above refunds at 8% a year from the date each payment was made by Miss P to the date of settlement*
- refund to Miss P £554.69 she paid to insure, tax and MOT the replacement (used) car she purchased.
- pay simple interest on the above refunds at 8% a year from the date each payment was made by Miss P to the date of settlement*
- pay Miss P, to the extent it hasn't done so already, £150 for the distress and inconvenience this whole matter has caused her
- remove any adverse information it has recorded with credit reference agencies in respect of the agreement

**HM Revenue & Customs requires Zopa Bank Limited to take off tax from this interest. Zopa Bank Limited must give Miss P a certificate showing how much tax they've taken off if she asks for one*

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 28 November 2024.

Peter Cook
Ombudsman