

## **The complaint**

Mr W complains Zopa Bank Limited (Zopa) provided him with a car under a hire purchase agreement which wasn't of satisfactory quality.

## **What happened**

Mr W entered into a hire purchase agreement with Zopa in January 2024 to acquire a used car. The car was first registered on 7 November 2020, and it had travelled 26,152 miles at the time it was supplied. The cash price of the car was £18,495 and Mr W paid a deposit of £1,700.01.

In March 2024 the oil warning light appeared, and Mr W topped up the oil. He explained this happened again around four weeks later and he topped up the oil again. In May 2024 the car's engine management light (EML) came on and his car lost power. So, he took the car to a local garage. The garage attempted to locate faults with the vehicle and explained there was a loss of pressure in the cylinder. So, he contacted the dealership but was told he had raised the issue outside of three months and the car was out of warranty. He complained to Zopa about the quality of the car.

Zopa issued its final response on 5 July 2024. It said the report had identified a problem with the car but concluded that the substantial amount of time and mileage which had successfully elapsed since the car was supplied meant it wasn't present or developing when provided. Therefore, it said it wouldn't be considered responsible for the current problems with the vehicle.

The final response did not resolve things for Mr W. He said the reports weren't conclusive in establishing if the issue was pre-existing and he felt it hadn't been properly investigated. He said a car of this age and mileage should not have this problem. He asked our service to investigate.

Our Investigator looked into things. He felt the evidence was sufficient to show there was a fault with the car and that it wasn't of satisfactory quality when it was supplied. He said Zopa should be afforded the opportunity to repair the vehicle and Mr W should be refunded his monthly repayments for the period when he didn't have the car. He also felt it was appropriate for Zopa to pay Mr W some compensation for the distress and inconvenience. Mr W accepted the view explaining he would be fine with the repair if Zopa agreed. Although, he's concerned about the time which has now passed and the vehicle being stationary.

Zopa didn't agree with our Investigator's findings. It sought clarification on the report and the expert explained it often sees this type of defect on this exact engine type. It went on to say the fault is extremely common, to such an extent that in many instances the manufacturer will often repair the vehicle free of charge (depending on the service history). From the information it had, it said the vehicle travelled 4,070 miles over the space of five months. As the wet timing belt is an integral component to the engine's running state, any sign of deterioration or degradation would have produced symptoms much sooner than 4,070 miles.

It is therefore, not considered that the timing belt was defective when the car was supplied, and deterioration would be noticeable within 500 to 1,000 miles.

As Zopa didn't agree, the complaint has been passed to me to decide.

### **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.

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 to have been good industry practice at the relevant time. The finance agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it. Zopa is also the supplier of goods under this type of agreement and is responsible for a complaint about their quality.

The Consumer Rights Act 2015 (CRA) is of particular relevance to this complaint. It says that under a contract to supply goods, there is an implied term that *"the quality of goods is satisfactory"*.

The CRA says the quality of goods is satisfactory if they meet the standard that a reasonable person would consider satisfactory taking into account any description of the goods, the price and all the other relevant circumstances. So, it seems likely that in a case involving a car, the other relevant circumstances a court would take into account might include things like the age and mileage at the time of sale and the vehicle's history.

The CRA says the quality of goods includes their general state and condition and other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability.

My starting point is that Zopa supplied Mr W with a used car which was three years old and had travelled around 26,152 miles when it was supplied. Therefore, it would be unreasonable to expect a used car like this to be in the same "as new" showroom condition which it would have been when first supplied. It's fair to say it would be reasonable to expect there might be some wear and tear and that there was a greater risk that the car might need to be maintained or repaired sooner than a car which wasn't as road worn. But just because the car was used with some mileage doesn't mean Zopa had no requirements in relation to providing goods of a satisfactory quality.

#### *Was there a fault with the car?*

Mr W has explained there were two warning lights to explain the oil was low (even after he'd topped it up). Subsequently, the EML came on and the vehicle lost power.

I've seen a copy of the invoice from the garage and I've reviewed the job details. This included a loss of power and misfire which had worsened. The garage carried out some initial testing and found cylinder number one had no compression. The job details confirmed this could be for multiple reasons and could suggest a melted piston or piston ring failure. It would require further inspection.

I've seen a copy of the report authorised by Zopa. It confirmed the vehicle had an EML illuminated, and it noted the fault code for cylinder one misfiring. When it started the engine, it noted it was running only on two cylinders and the EML was illuminated. It explained the vehicle couldn't be inspected further. The report went on to explain this problem is often

caused by the initial deterioration and perishing of the wet timing belt causing fibrous debris circulation and subsequent bore scoring or deposit build-up of the piston rings. As another possible cause, it noted coking of the inlet valve was also a possibility on this engine type.

Based on the evidence I've seen, I'm satisfied there is a fault with this vehicle in respect of there being no compression for cylinder one, it is misfiring and the engine appearing to only be running on two cylinders. It seems the most likely cause is deterioration of the wet timing belt, but it could also be coking of the inlet valve as noted by the expert.

*Was the car of satisfactory quality?*

Although I've concluded there is a fault with the car, it doesn't automatically follow that the complaint should be upheld. I now must consider whether the fault was likely to have been present or developing at the point of supply or whether the car (or a component within the car) was sufficiently durable.

Zopa have provided a report and also sought follow-up clarification after our Investigator issued his view. I've carefully considered the contents of the initial report and the follow-up correspondence. The expert has explained the fault was not present or developing at the point of sale. He said had it been, the car would have failed much earlier and Mr W would not have been able to drive 4,070 miles. He explained this is a common fault with this type of car.

I understand what has been said here and the comments about the vehicle failing after it had been supplied to Mr W. In the report, it was explained it couldn't determine the exact reason for the problem with the cylinders without further access to the engine. But two common reasons were given: the deterioration of the wet timing belt and coking of the inlet valve. It noted the former as the most likely cause although confirmed further investigation was required.

An important consideration in this case is whether the vehicle was sufficiently durable. I've considered the manufacturer's information about the wet timing belt, and I can see the expected life span is between 60,000 and 64,000 miles or six years (whichever comes first). The vehicle failed significantly before reaching this mileage and sometime before this age. I'd note the report provided by Zopa does not comment on durability. Additionally, there's no reason from the evidence I've seen to suggest Mr W has failed to maintain the vehicle in such a way that was likely to have caused this problem. Taking everything into consideration, I think the car has failed prematurely and wasn't sufficiently durable when supplied.

For completeness, I've also considered the other possible cause as identified in the report. Although I note the report confirms this is the less likely of the two possible causes, the report explained the fault may have been caused due to coking of the inlet valve which may have caused cylinder misfire and decompression. Taking this into consideration, it seems such build up could be expected to occur over time and isn't something which happens suddenly. I understand there are factors which can affect the time it might take but I must consider what was more likely to have happened than not. Given Mr W only had the car for a short period and had only travelled 4,070 miles, I think it's fair to say that, if this is the reason for the fault with the vehicle, it's more likely than not that an issue such as this would be present or developing when the car was supplied.

Weighing up the evidence I have here, I think there is enough to say the car wasn't of satisfactory quality when it was supplied to Mr W because it wasn't sufficiently durable. The report confirmed the most likely cause of the issue is the deterioration of the wet timing belt. I have noted what the expert has said about this not being present or developing at the point

the car was supplied. But the reason I have reached this outcome is because of durability. I don't agree it could reasonably be expected that a car of this age and mileage would experience the problems it has here particularly given the manufacturer's information. The car has failed significantly earlier than expected. And it doesn't seem likely from the evidence I have that Mr W has maintained or failed to maintain the vehicle in such a way that he has contributed to the issues here. For these reasons, I'm satisfied the car supplied to Mr W by Zopa under the hire purchase agreement was not of satisfactory quality.

### **Putting things right**

The CRA 2015 sets out that where a fault occurs within six months of supply the business (Zopa) must be given the opportunity to repair. So, under the relevant legislation, Zopa is allowed one opportunity to repair the fault. In this case, the vehicle was taken to a local garage and not the dealer. So, I'm not persuaded Zopa has had its single chance of repair. Although the report was not conclusive as to the cause, the evidence doesn't indicate the fault isn't repairable. Therefore, Zopa should arrange for further inspection, repair the vehicle and cover costs associated with this.

I'm mindful the report did not inspect the wet timing belt as further access to the engine was necessary. It's not clear exactly what repairs would be needed or the extent of those repairs. There has been no estimate provided in respect of repair costs. So, its possible further inspection and consideration of the necessary repairs may mean Zopa considers the repair costs are disproportionate to the value of the vehicle. There also may be some other plausible reason why repair isn't possible. If this is the case, Zopa should allow Mr W to reject the vehicle and discuss this option with him.

Additionally, Mr W had confirmed the cars EML came on in May 2024 and he wasn't provided with a courtesy car. So, I'm satisfied he would have had additional transport costs which he otherwise wouldn't have incurred. Therefore, I don't think it's reasonable he should have to pay the monthly repayments which have fallen due whilst he's not had use of the vehicle. Payments which fall due prior to the repair of the vehicle should be waived.

I would note Mr W took the vehicle to a local garage for diagnostics. He has said the costs are still outstanding but has provided an invoice where no amounts are itemised. I haven't been given any other information in relation to this. However, I recognise Mr W has experienced distress and inconvenience because of the issues with the quality of the car. I'm satisfied its fair and reasonable for Zopa to pay Mr W £250 in compensation to recognise the impact to him.

Therefore, Zopa Bank Limited should do the following to put things right:

- Arrange and cover the costs of collection, inspection and repair of the vehicle.
- Refund and/or waive Mr W's monthly payments under the agreement from May 2024 to the date of repair.
- Pay 8% simple yearly interest\* on all refunded amounts from the date of payment to the date of settlement.
- Pay Mr W £250 compensation for distress and inconvenience.
- Remove adverse information which may have been recorded on Mr W's credit file whilst these issues have been ongoing.

\*If Zopa considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W a tax

deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons outlined above, I'm upholding this complaint and Zopa Bank Limited should put things right in the way outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 7 July 2025.

Laura Dean  
**Ombudsman**