

The complaint

Mr B complains that Zopa Bank Limited (Zopa) didn't follow the correct process when his vehicle was subject to a rejection. Mr B believes he's been impacted financially as a result.

What happened

In June 2023, Mr B acquired a used car through a hire purchase agreement with Zopa. The car was about six and a half years old and had travelled 61,815 miles when it was supplied. The cash price of the car was £18,299. A deposit of £800 is listed, so the total amount financed on the agreement was £17,499 payable over 60 monthly repayments of £366.53.

Mr B said that he experienced issues with the gearbox, drivetrain, EGR and the engine management light. He said despite the dealership attempting multiple repairs, and some without his authorisation, the faults have recurred. Mr B has made around four complaints to Zopa and has said he's unhappy about the way they've been handled.

In December 2024, Zopa issued their final response to Mr B's complaint which they didn't uphold. In summary, it confirmed that a number of repair attempts were made, however that an independent inspection carried out concluded that the main issues were related to low oil levels which it considered would have been Mr B's responsibility.

Unhappy with their decision, Mr B brought his complaint to our service where it was passed to one of our Investigator's to look into.

In an email dated in January 2025 Mr B told the Investigator that he formally withdrew his complaint about the quality of the vehicle as it had been resolved with the dealership. Mr B said they'd agreed to settle the outstanding finance agreement with Zopa with a deduction for mileage. Mr B however confirmed that he still wished to continue his complaint about Zopa's handling of the rejection process.

Mr B provided us with correspondence from the dealership confirming in full and final settlement and subject to any complaints with Zopa and our service being closed, they'd refund to him of the purchase price (£18,299) with a deduction for mileage (£3,486) and a deduction of the settlement (£13,361.80) leaving £1,450.60 that would be due to him.

In February 2025, Zopa issued a final response to Mr B in relation to their handling of a rejection of the car, their misrepresentation of the dealership's offer to reject the car and their poor handling of his complaints. Zopa didn't uphold the complaint. They confirmed that the dealership had agreed to buy back the vehicle rather than facilitate a rejection, and believed they dealt with his complaint fairly.

Mr B didn't accept Zopa's outcome, he said the dealership confirmed they were processing a rejection of the car, and as such he didn't think Zopa processed it properly. Mr B felt rather than just settling the agreement, Zopa should have given him a full refund of all payments he made towards it.

Mr B sent in another complaint form dated in February 2025, which confirmed his complaint against Zopa was in relation to their refusal to process the rejection correctly. Mr B believes

he should receive a full refund of his monthly repayments and compensation for the distress and inconvenience caused.

The Investigator issued their assessment recommending that Mr B's complaint should be upheld in part. The Investigator concluded that the dealership hadn't rejected the car under the terms of the consumer rights act 2015 (CRA). However, the Investigator upheld the complaint on the fact the car was of unsatisfactory quality and that Mr B should have been allowed to reject the car. The Investigator considered the financial arrangements agreed between Mr B and the dealership meant he was suitably compensated.

Mr B didn't accept the Investigator's view as he believed the vehicle had been rejected under the CRA and that he hadn't been compensated fairly.

The investigator issued another assessment maintaining his opinion on the return of the car but decided Mr B should be paid an additional £150 in compensation. Mr B didn't accept this recommendation and asked that his complaint be referred to an ombudsman for a final decision.

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've thought about all the evidence and information provided afresh and 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.

Mr B has made submissions to support his complaint. I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point 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.

Mr B complains about a hire purchase agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Mr B's complaint about Zopa.

In an email to the Investigator dated 21 January 2025, Mr B confirmed that he no longer wished to pursue his complaint about the quality of the vehicle. I recognise the quality of the vehicle is what brought rise to Mr B's current concerns, and that the Investigator in their view addressed it, however as Mr B has confirmed this was no longer an issue, I've not considered it in my decision. Instead, I've focussed on the complaint Mr B has raised about Zopa's handling of the rejection of the vehicle, the payments and compensation that Mr B believes he is due.

Mr B has also raised concerns about the way Zopa have handled the complaint against them. Complaint handling isn't a regulated activity in its own right. Nor is it one of the specified non-regulated activities that I'm able to deal with under our compulsory jurisdiction (DISP Rule 2.3.1R). And so, I'm unable to look into the specifics of this.

My focus in this decision is on the underlying financial service being complained about, which is the administration of the hire purchase agreement. Whilst I can look at what's fair and reasonable in the individual circumstances, if Mr B has concerns relating more generally

to the commercial practices of Zopa, that is likely more appropriately directed at the regulator.

In their final response dated 11 February 2025, Zopa said the dealership confirmed to them they were not unwinding the agreement or accepting rejection of it. Mr B refers to correspondence he had with the dealership in January 2025, where he believes, the dealership has admitted to a rejection of the vehicle.

During a phone call with Zopa Mr B said he wanted the return of the vehicle processed as a rejection. And in an email to the Investigator in March 2025, Mr B says *'had Zopa followed the correct CRA rejection process, I would have been entitled to a refund of my payments.'*

So, I think the main issue here for Mr B is that he believes Zopa is treating him unfairly and stands to lose out financially as a result of how Zopa has decided to process the return of the vehicle. Mr B says the actions of the dealership are consistent with a rejection under the CRA and disagrees that Zopa are able to retain the payments he's made under the agreement.

Having considered the information provided by both parties, I'm persuaded the vehicle was rejected by the dealership, but not necessarily in conjunction with the expectations of the CRA. Zopa hasn't been directly involved in the conversation or decision to return the vehicle, so their stance was clear, in that the dealership were buying the vehicle back. However, in correspondence between the dealership and Mr B, the dealership confirms they were rejecting the vehicle, but fell short of confirming that they were rejecting it under the terms of the CRA.

I think the dealership's intention was to facilitate a rejection of the vehicle through the method of buying it back. Typically, a rejection of a vehicle, where the goods do not conform to the contract, would involve an agreement being reached between the consumer, the dealership and the finance company for the agreement to be unwound and any necessary refunds or awards to take place. In this instance an agreement was reached with Mr B and the dealership only. It appears Zopa's main role was to arrange the settlement of the finance agreement, with funds they received from the dealership.

Under the CRA if goods are not of satisfactory quality they do not conform to the contract. Section 19 of the CRA sets out certain remedies available to the consumer for goods that do not conform. And one of those remedies is the final right to reject the vehicle. And it's this which I believe Mr B refers to.

However, the issue here is that the goods, (the vehicle Mr B acquired) was never confirmed to be of unsatisfactory quality by either ZOPA or the dealership (as a representative for Zopa). Zopa in their final response considered the vehicle was of satisfactory quality when it was supplied and the dealership when agreeing to reject the vehicle did so without any liability. Effectively not confirming that the vehicle was subject of a failed repair or an inherent fault.

I recognise Mr B would have seen the actions of the dealership as being consistent with a rejection and some acceptance of liability, but they hadn't confirmed it, nor had Zopa. So It was never confirmed that the goods hadn't conformed to the contract. Therefore, it's reasonable to consider that the dealership was rejecting the vehicle, but not necessarily in line with the CRA.

To reject the vehicle the dealership confirmed they would buy the vehicle back at the price Mr B paid for it, deduct the settlement figure of the agreement, and fair usage. This left Mr B with approximately £1,450.

Had the vehicle been confirmed as being of unsatisfactory quality, and a rejection under the CRA arranged, our service would typically recommend that Zopa collect the car, end the agreement, refund the deposit paid along with a prorated refund of any repayments Mr B may have made whilst the vehicle was unable to be used. We wouldn't expect Zopa in that instance to refund all the monthly repayments.

The CRA says: *'If the consumer exercises the final right to reject, any refund to the consumer may be reduced by a deduction for use, to take account of the use the consumer has had of the goods in the period since they were delivered...'*

So, it would be reasonable that Mr B pays for the time he's used the vehicle. However, instead of retaining any monthly repayments, the dealership decided to deduct £0.45 per mile for fair usage. All things considered, Mr B has benefitted financially having had the dealership buy the vehicle back, rather than pursuing a rejection of it through our service due to it being of unsatisfactory quality.

In consideration of what Mr B had agreed with the dealership, I'm unable to consider whether the vehicle was of satisfactory quality or not, as the vehicle is no longer in Mr B's ownership. However, from the information provided I'm satisfied Mr B has been fairly treated in relation to the return of the vehicle.

The Investigator recommended that Mr B should be paid £150 in compensation for the distress and inconvenience caused. I'm satisfied Mr B has been caused some distress throughout this situation. For example, in an email to the Investigator dated in March 2025, Mr B says he spent months dealing with repairs and chasing Zopa for updates.

In a later email to the Investigator, Mr B says that our service typically awards higher amounts for cases involving financial loss. However, in consideration of what our service would have recommended had we made a finding to reject the vehicle, alongside what Mr B had received when he returned the vehicle, I'm in agreement with the Investigator that £150 additional compensation is fair in the circumstances to recognise the inconvenience caused.

My final decision

Having thought about everything above along with what is fair and reasonable in the circumstances I uphold this complaint and instruct Zopa Bank Limited to:

- Pay Mr B £150 in compensation for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 26 September 2025.

Benjamin John
Ombudsman