

The complaint

Mr R complains that the car he acquired financed through a hire purchase agreement with Zopa Bank Limited wasn't of satisfactory quality.

What happened

In July 2024 Mr R acquired a used car financed through a hire purchase agreement with Zopa. Mr R said in October the car broke down and he had it recovered to a garage only to discover the head gasket had cracked both top and bottom, as a result of faulty bearings on the bottom. He said the garage assured him this would not have been possible in the short time he had owned the car. He raised a complaint with Zopa.

Zopa arranged to have the car inspected. In its final response it said the independent inspection did not find it liable for the repairs to the car. Zopa accepted there had been a delay with the inspection and refunded to Mr R £841.65 in transport costs he had incurred.

Mr R didn't agree and brought his complaint to this service. He said the inspector only did a desktop assessment based on the report from the garage. Mr R said the inspector advised the head gasket issue could have developed in the three months he had owned the car, and the garage was therefore not liable. Mr R said this conclusion came from very limited information and no sight of the vehicle.

Our investigator concluded that the car wasn't of satisfactory quality and that Mr R should be allowed to reject it. Zopa disagreed and asked for a decision from an ombudsman. It made some additional comments to which I have responded below where appropriate.

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.

Having done so I agree with the conclusions reached by the investigator for the reasons I've outlined below.

In considering what is fair and reasonable I need to have regard to the relevant law and regulations, regulator's rules, guidance and standards, codes of practice and (where appropriate) what I consider having been good industry practice at the relevant time. Mr R's hire purchase agreement is a regulated consumer agreement and as such this service can consider complaints relating to it.

Zopa, as the supplier of the car, was responsible for ensuring it was of satisfactory quality when it was supplied to Mr R. Whether or not it was of satisfactory quality at that time will depend on several factors, including the age and mileage of the car and the price that was paid for it. The car was about six years old, had been driven for 58,914 miles and had a price of £12,899. Satisfactory quality also covers durability which means that the components within the car must be durable and last a reasonable amount of time – but exactly how long that time is will depend on several factors.

If I am to decide the car wasn't of satisfactory quality I must be persuaded faults were present at the point of supply. Faults that developed afterwards are not relevant, moreover even if the faults reported were present at the point of supply this will not necessarily mean the car wasn't of satisfactory quality. This is because a second-hand car might be expected to have faults related to reasonable wear and tear.

I'm persuaded there are faults with the car. I say this because I've seen two garage reports and an independent report which confirm engine failure.

The independent inspection commissioned by Zopa did not include an inspection of the vehicle itself. The report was written based on documentation and repairer (garage) reports. It found that there was an internal engine failure and it noted that the type of engine used in this make and model had known reliability issues which causes the type of failure reported by the garage. The engineer explained that such catastrophic engine issues most commonly occur when the engine lubrication system is contaminated with diesel fuel oil past the engine pistons. It said the diluted engine oil will not lubricate the engine bearing correctly causing them to fail along with other internal engine working components. The engineer wasn't able to check if the oil was diluted with diesel. The report concluded:

- *"The vehicle has covered 4,506 miles since purchase, this would confirm that the vehicle was in roadworthy condition and the engine was performing correctly at the point of sale.*
- *The engine lubrication issue has clearly developed since purchase.*
- *The vehicle had 59,914 miles when sold and the engine would have had some normal wear and tear evident if inspected internally, however at this point the engine was working correctly with no faults reported, which also confirms that the fault has developed after the point of sale."*

While I'm not disputing the independence of the report the findings lack detail specific to Mr R's car, and the report conclusions appear to be vague and do not refer to the specific issues noted by the report from the garage e.g. engine knocking, bearings, oil residue, smoke.

In addition the vehicle being in a "road worthy condition" at point of purchase is not the only requirement for it to be of satisfactory quality. As I have explained above the car also needs to be reasonably durable.

The car failed four months after purchase and after Mr R had driven 4,506 miles. The engine of Mr R's vehicle make and model would be expected to last 150,000 to 200,000 miles with appropriate maintenance (regular services) so I'm satisfied the engine has failed prematurely. The independent inspection confirmed from service records the service prior to failure was at 56,179 miles in January 2024. Mr R has reported having to top the car up with oil after he bought it and before it failed.

After our investigator issued his view Zopa sought additional comments from the independent inspector. He said:

"The vehicle was sold in an operational condition, the engine had not failed and ran without obvious issue.

The engine consumed oil which is not uncommon. The vehicle was driven and has failed in operation due to a sudden mechanical failing which was not present when the vehicle was purchased....

The vehicle had normal wear and tear expected due to the age and mileage and was

more at risk of failure due to its used condition.”

In the first report the inspector mentioned fault codes:

“The repairer has also obtained various engine related fault codes which have not been recorded in the report.”

It is correct that the first garage report did not mention what the fault codes were but it said:

“There are multiple engine codes, there are also historic engine codes for EGR and other codes related that have been deleted...”

So it's not clear to me how the independent report could conclude the vehicle had normal wear and tear and no obvious issues. The fact that codes had been deleted provides some doubt that there were no obvious issues.

At this point Mr R asked the garage for more details and information about the issues with the car. It provided further commentary. This report outlined:

- Engine codes – pre-existing fault codes had been deleted. The date noted was prior to Mr R's ownership but no work had been completed in that area.
- Oil had dropped since the previous inspection – the engine is burning oil indicative of worn rings and valves. The opinion of the garage was this was caused due to poor prior service or usage of wrong engine oils
- DPF melted spots – the DPF is full upon inspection, appears to have had some cleaner run through incorrectly causing the DPF to have some parts melted – the DPF was removed and sent for professional cleaning.

At first Zopa accepted that these faults would have been present at the point of sale but then reconsidered this position and rejected the findings. It queried the date of the second report provided by the garage of August 2024. It said this was within the first 30 days and asked why Mr R had not raised concerns with the dealer at the time. It also queried the legitimacy of the garage itself.

Our investigator spoke to the mechanic (director of the garage) who did the diagnostic on the vehicle. I've listened to a recording of this conversation. The mechanic was clearly familiar with the car and the problems he had diagnosed. He spoke in detail about the issues he had discovered, he queried the quality of servicing prior to Mr R receiving the car, the issues with the DPF and explained how although he couldn't prove who deleted the codes he was confident codes had been deleted with no work done. His opinion was the car wasn't of satisfactory quality. The mechanic explained that the garage had recently moved premises and was starting up with new computers and software and onboarding new staff. This was the reason for the incorrect date on the second report.

Zopa has said it doesn't accept diagnostics from non-VAT registered garages. It said the garage also cannot be deemed impartial as it had no online presence and the date on the report was misrepresented. It said the date just so happens to fall perfectly into the customers 30 day window. It went on to say the vehicle should be investigated by an unbiased third party and Mr R can do so at any point. It said as it stands an independent assessor has taken all the evidence provided by the customer into review and deemed that none of it shows that the issues were point of sale. It said the reason a manual inspection was not completed was because the stripped engine was put back together before the engineer had the chance to inspect. It said the garage is clearly going to defend itself when being told its biased but it still has not provided the evidence.

While I understand Zopa's stance on non-VAT registered garages this garage has inspected the car on more than one occasion unlike the independent engineer who only provided a desktop view. The garage has provided diagnoses of the issues, it has explained those issues to our investigator and having listened to the call I find the mechanic's testimony detailed, knowledgeable and credible. The mechanic also followed up this call with further detail about the issues with the car. He has acknowledged the date is incorrect. I'm not persuaded the fact the date appears to put the faults within the first 30 day window is relevant. I say this because neither the mechanic nor Mr R are actually claiming the faults appeared within the first 30 days.

The independent report is based on reports from the garage. While I understand it first concluded the issues were as a result of wear and tear the subsequent report from the garage appeared to change the position of the independent engineer who went on to accept that the faults were likely present or developing at the point of sale. It was only when Zopa noticed the date on the report it changed its mind and has said the evidence is misleading and has been created to be misleading. I don't agree. I'm satisfied the date was likely a clerical error.

My job is to come to what I think is a fair and reasonable outcome based on the evidence available to me. Where the evidence is unclear or conflicts, I'll look at what's available and the surrounding circumstances – to decide what I think is most likely to have happened.

I'm more persuaded by the evidence and testimony supplied by the garage that the issues leading up to engine failure were likely present or developing at the point of sale. I say this because this evidence is more detailed and specific to Mr R's vehicle than the desktop inspection, the car was inspected by the mechanic on more than one occasion and the mechanic was able to explain in detail what he believed was the cause which included possible inferior servicing prior to purchase and deleted fault codes with no repair. He followed up this call with further testimony. So I'm persuaded the car likely wasn't of satisfactory quality because it wasn't sufficiently durable. The mechanic believes that the car requires a new engine and is likely beyond economical repair so I'm persuaded it would be fair and reasonable that Mr R be allowed to reject it.

Putting things right

Mr R hasn't used the car since early October 2024 because of the engine failure so I believe it fair he is refunded rentals from this point. Zopa will not be required to reimburse any monthly rentals for the months in which it covered the cost of a hire car.

Mr R has told this service about the impact this situation has had on him including the delays with the inspection and I agree with the investigator that it would be fair for Zopa to pay him £200 compensation to reflect any distress and inconvenience caused. Mr R said he incurred other costs which I'm satisfied should be refunded including the garage inspection reports, tax/insurance when the car was off road and vehicle transport costs which Zopa had already agreed to.

To put things right Zopa Bank Limited must:

- end the finance agreement with nothing further to pay
- collect the car at no further cost to Mr R
- refund Mr R's deposit/part exchange contribution of £2,899
- refund Mr R all rentals for the period from 7 October 2024 to the date of settlement as Mr R reasonably stopped using the car at this point
- refund the customer for additional expenses including garage diagnostic reports, tax and insurance costs from October 2024 on production of receipts
- refund £841.65 which includes car hire and transportation costs if it hasn't done so

- already
- pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement
 - pay a further amount of £200 for any distress or inconvenience that's been caused due to the faulty goods
 - remove any adverse information from the customer's credit file in relation to the agreement.

My final decision

My final decision is I uphold this complaint and Zopa Bank Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 13 October 2025.

Maxine Sutton
Ombudsman