

The complaint

Mr C complains that Zopa Bank Limited (Zopa) made errors at the end of his payment holiday.

What happened

Mr C took out a loan of £12,000 from Zopa in October 2019, repayable over 48 months. Payments were £264.57. He was affected by the COVID-19 pandemic and applied for a payment holiday (PH) under the support measures introduced by all financial services firms. The PH ran from 11 June 2020 to 9 September 2020. But on 27 July 2020, the monthly payment of £264.57 was taken from his bank account. This caused Mr C some hardship and he complained to Zopa. Zopa said this was an error, apologised and paid compensation on one month's payment - £264.58. This was applied to Mr C's loan. Mr C accepted this outcome.

The PH was due to end on 9 September 2020. The next payment was due on 26 September 2020. Zopa wrote to Mr C on 28 September 2020 – to say the PH was coming to an end. The payment of £264.57 was taken on 29 September 2020.

Mr C complained. He said he should've been advised about the PH coming to an end much earlier than he was – it ended on 9 September 2020. This caused confusion about what was happening. When he messaged Zopa on 28 September 2020, he was told the payment was due to be taken that day – as 26 September 2020 was a weekend. He thought that the payment was only set up after he contacted Zopa, as they emailed him about that after the webchat. He thought he'd been misled by the webchat handler, and he found her attitude to be poor.

Zopa couldn't explain why they'd not contacted Mr C earlier about the end of his PH – they should've done. When Mr C got in touch with them on 28 September 2020, the webchat handler was correct to say the payment was due to be taken on 28 September 2020 – as 26 September 2020 was a weekend. They apologised if Mr C found her attitude to be poor – but that was due the nature of written communications. Mr C's credit record hadn't been affected – and the payment wasn't marked as late. Nor had he incurred any additional interest or charges. They offered Mr C compensation of £50 – which he rejected.

Mr C brought his complaint to us. Our adjudicator said Zopa hadn't acted fairly. The email about the end of the PH should've been sent earlier than it had. And for that, Zopa should increase the compensation by £50 to £100. She said that while the payment to the loan hadn't been made on the contractual date, there hadn't been any adverse impact on his credit file, and there weren't any additional interest or charges. She accepted Zopa's apology for the online chat service – but said the information Mr C received was accurate.

Zopa didn't agree with the increased compensation. They said that £50 was appropriate for what happened. And they noted that the previous compensation paid in July 2020 (£264.58) was generous and should be considered. Zopa asked that an ombudsman look at Mr C's complaint.

I reached a provisional decision where I said:

In March 2020, The Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Zopa, agreed to put in place 'payment holidays' on many credit agreements, including loans – to help customers who were affected. Customers could ask for a total of two payment holidays, each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

In Mr C's case, he had a payment holiday (PH) from June 2020 through to 9 September 2020. In July 2020, Zopa took the payment to his loan, despite the PH. They apologised for this error and paid compensation of £264.58 – the equivalent of one month's instalment – and credited that amount to his loan account. Mr C accepted that outcome and the complaint was closed. And so – I've not considered that as part of this complaint.

At the end of the PH, it was normal for Zopa to write to customers to advise that their PH was coming to an end, and what was going to happen. I've seen that Zopa didn't do that when the PH was about to expire – on 9 September 2020. Zopa told us they can't explain why that didn't happen, as it should have. Mr C contacted Zopa by webchat on 28 September 2020 to ask what was going on. He was told that the payment due on 26 September 2020 was due to be made on 28 September – as the 26 was a weekend. I think that would've been normal – as it's industry practice that direct debits that fall on a weekend are taken the following working day. And the webchat handler also said she could see on Zopa's system that the payment was due to go through. So, all that seemed logical.

They then wrote to Mr C on 28 September 2020 to say the PH was coming to an end and asked for instructions as to what to do. Mr C says this was sent after the webchat took place – so he was suspicious about what had happened. And therefore, he thought he'd been misinformed by the webchat handler – he suspected the payment wasn't going to be made as she said. Mr C says it was only when he contacted Zopa that they realised the payment was not going to be made – and they set up the direct debit payment because of his contact.

That isn't what Zopa told us – which was that the payment was rejected on 26 September 2020 and was requested by them again on 28 September 2020.

But – whatever the cause of what took place – I can see that the payment was made on 29 September 2020 and Mr C's loan was credited on 2 October 2020. Zopa confirmed to us that a late payment hadn't been marked on Mr C's account. And no additional interest or charges were paid.

Mr C also complains that he found the attitude of the webchat handler offhand. I reviewed what was said and while it was short and to the point, I must say I didn't find it offhand. I think we must make allowance for the fact that it was written, real time communication – which may, at the time, have felt that way.

So – while I agree that Zopa should've contacted Mr C earlier than they did about the end of the PH, and there was some inconvenience caused by that, Mr C didn't suffer any financial losses. And while he was inconvenienced by having to contact Zopa to sort things out – this only involved one webchat exchange before Mr C then lodged a formal complaint. And - the information given to Mr C by the webchat handler was correct, as Mr C's payment was about to be made.

So – my consideration of this complaint comes down to what is a reasonable level of compensation for what happened. There's no doubt that there was a degree of confusion caused by the fact that Zopa didn't advise Mr C of the end of the PH earlier. And so, there was some distress and inconvenience. Our service has set out some criteria to consider the appropriate level of compensation. We say that typically an apology or small monetary award of less than £100 will fairly compensate a one-off incident or occurrence – such as a small administrative error or a short delay. And – I think that fairly describes what happened here. And I think that Zopa's offer of £50 is reasonable in the circumstances of Mr C's complaint.

Responses to the provisional decision:

Mr C agreed with the provisional decision. Zopa made no comments.

I now need to make 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.

As Mr C agreed with the provisional decision and Zopa made no comments, I won't be departing from it in making my final decision.

My final decision

Zopa has already made an offer of £50 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Zopa should pay £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 April 2022.

Martin Lord
Ombudsman