

## **Complaint**

Mr M is unhappy with what Zopa Bank Limited (“Zopa”) agreed to do to put things right after he complained that it irresponsibly provided him with a loan.

## **Background**

While Zopa never agreed with Mr M’s complaint, it eventually agreed to write off the outstanding balance on Mr M’s loan. Mr M’s complaint was then considered by one of our investigators. And he thought that what Zopa had done to put things right for Mr M was fair and reasonable in the circumstances of the complaint as he didn’t think that Zopa had irresponsibly provided this loan in the first place. Mr M disagreed and so the case was passed to an ombudsman for a final decision.

## **My findings**

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

Having carefully considered everything, I think that what Zopa has already agreed to do to put things right for Mr M is fair and reasonable in all the circumstances of his complaint. I’ll explain why I think this is the case.

It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we’d expect the business to put the consumer in the position they would be in if that wrong hadn’t taken place. And in an ideal world, we’d tell a business to put a consumer in the position they’d now be in if they hadn’t been given the loan they shouldn’t have. However, that’s not possible in cases where funds that shouldn’t have been advanced were advanced because typically those funds will have already been spent.

So we have to look at a way of asking a business to put things right in a fair and reasonable way. And where a lender provided a loan which it should have realised was unsustainable, we’d typically expect it to put the consumer in the position they’d be in now if they hadn’t paid any further interest and charges on that loan.

This means we’d normally expect a lender to refund the interest and charges added to any loan. And if those interest and charges were paid also add 8% simple interest per year. Zopa wrote off a balance after Mr M made very few loan payments. So Zopa wrote off a significant portion of the amount it lent to Mr M and on the face of things it looks like Zopa has done more than what I would expect a lender to do in these circumstances.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provide credit it shouldn’t have (such as here), we can and will tell it to do something different and/or something more if there’s a strong reason to say that’s what would be fair and reasonable to do in the circumstances of that individual case.

Mr M believes that Zopa should do more. He thinks it's unfair for Zopa to record negative information on his credit file. Mr M says that Zopa should remove all negative information that it recorded on his credit file.

In reaching my decision, I've taken into account that Mr M only repaid a small portion of the funds that he was lent in the first place. Zopa then agreed to write Mr M's outstanding balance off, which meant he had the use of a significant amount of funds which he'll never have to pay back. So removing any adverse information here would require Zopa to record that Mr M's loan was settled in full and on time. And I think that it would be unfair to Zopa and Mr M, unreasonable its logic and inaccurate if I asked Zopa to amend Mr M's credit file in this way – as that doesn't reflect what actually happened here.

By asking Zopa to remove any adverse information here, I'd be asking it to record inaccurate information and telling it to record that the loan was paid in full and on time. I think that this wholly inaccurate information would make Mr M appear more attractive to prospective lenders and increase his chances of being able to access further funds – in circumstances where Mr M still says he couldn't afford the payments to this loan in the first place.

I think that requiring Zopa to amend Mr M's credit file in this way would be counterproductive and arguably not in Mr M's best interests, or those of any potential lender. So having carefully thought about everything, including everything Mr M has told us, I'm not going to ask Zopa to amend Mr M's credit file to remove any adverse information. This means that Zopa can and should record that a significant proportion of the balance was written off.

Bearing in mind all of this, I'm satisfied that what Zopa has already offered to do to put things right for Mr M is fair and reasonable in the circumstances of this case and I'm not requiring it to do anything more.

### **My final decision**

For the reasons I've explained, I'm satisfied that what Zopa Bank Limited has already done to put things right for Mr M is fair and reasonable in the circumstances of his complaint. So I'm not requiring it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 July 2022.

Jeshen Narayanan  
**Ombudsman**