

The complaint

Mr S complains that Zopa Limited trading as Zopa (Zopa) marked his loan as in arrears; and hassled him.

What happened

In August 2019, Mr S borrowed £10,000 on a loan from Zopa. Total repayable was £13,378.59 at £371.63 each month. Payments were due 1st monthly. During the pandemic, Zopa agreed to a three-month payment holiday under the FCA's pandemic support scheme.

Mr S didn't want to pay by direct debit and on 27 February 2022, paid £375 manually. This continued to be how Mr S made the repayments until he complained in July 2022. Zopa treated the manual payment as an early repayment to the loan, and not a contractual payment. So – they marked Mr S' loan as being one month in arrears. As he continued to pay that way, his loan remained one month in arrears.

Mr S complained. He said he had made the payment, so couldn't understand how his loan was in arrears. He didn't want to sign a direct debit form which had no set amount on it – as he was concerned that Zopa could take any amount from his bank account. He was now getting numerous phone calls, texts, and emails about the arrears. He said he received 97 calls from Zopa between 8 March 2022 and 13 July 2022. There were also about 30 emails and numerous text messages. He says this was unreasonable hassle. He also tried to log two complaints and they weren't actioned. In December 2022, Zopa emailed him about the payments due relating to his payment holiday and he wanted this adding to his complaint.

Zopa said that their process was – where a manual payment was received ahead of the contractual payment date (1st monthly), then it was treated as an extra payment and not a contractual one. That meant the contractual payment wasn't made on 1 March 2022. And from then on, even though Mr S made manual payments monthly, his loan remained one month in arrears – by £371.63. The only way they could stop the arrears position was to reinstate the direct debit, or for Mr S to make an extra manual payment to clear the arrears in one go. If he did this they offered to clear his credit file which had arrears/missed payments markers.

Zopa apologised that on two occasions, Mr S' complaint wasn't logged and escalated for investigation. They apologised for the contacts made with Mr S – but they were only intended to advise him of the arrears position. They offered compensation of £50.

Mr S didn't accept the compensation and brought his complaint to us. Our investigator said Zopa didn't act reasonably. Mr S made the payment on 27 February 2022 with the intention that it was for the payment due on 1 March 2022. He didn't think it was fair that Zopa then marked his loan as in arrears, nor mark his credit file with missed payments. He thought Zopa could've resolved the issue earlier by explaining to Mr S how the process worked. Zopa could've offered to change the repayment date but didn't. If that had happened, then the contacts to Mr S by email, text and phone wouldn't have been needed. He said that Mr S' credit file should be amended and compensation of £250 paid (to include the £50 offered by Zopa).

Mr S accepted what our investigator said, but Zopa didn't. they said their process was as they said in their final response and they'd already made proposals to Mr S as to how he could proceed. They said the compensation recommended was too high and said this should be £100. In response, Mr S then said the compensation should be increased from £250.

And so – the complaint has come to me 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.

Zopa has followed their processes here, but strictly following a procedure or process can lead to an unfair outcome for a customer in the individual circumstances of their situation. I think that's what's happened here.

Zopa say it was their process to count the manual payment of £375 made by Mr S on 27 February 2022 as an early payment to his loan – an 'extra' payment. And not the contractual payment which was due on 1 March 2022. As a result, they considered that Mr S missed the March payment and his loan went into arrears. This was notified to the credit reference agencies (CRAs), and his loan had been one month in arrears ever since.

It's clear that the payment on 27 February 2022 was intended by Mr S to be the payment due on 1 March 2022. And I can see that in the previous few months, starting in September 2021, he also paid the loan instalments in that way. It's not clear to me why the prior months payments didn't also cause a problem – but that's not the crux of this complaint.

Mr S called Zopa on 2 March 2022 and I listened to the call. It's clear that Mr S wanted the payment to be for the 1 March 2022 instalment. But the call handler didn't or couldn't take any action to mark the loan as paid to date. And Mr S then asked that a complaint be opened. He called again on 4 March 2022 and a similar conversation took place. In neither case was a complaint successfully opened or dealt with – if it had been, possibly a resolution could've been found.

I think it would've been reasonable to expect Zopa to have marked Mr S's loan as not in arrears, and count the manual payment in question – and the subsequent ones in the next few months through to July 2022 – as being the contractual payments. Either the call handlers or Zopa's complaints team could presumably have done that. I don't think it was reasonable for Zopa to ask Mr S to make a further payment of £371.63 so his loan could be considered as paid to date – as they suggested in their final response.

And so – this final decision asks Zopa to find a way to do this. Ideally, this would be for Mr S to agree to sign a direct debit mandate – but I suspect he won't be happy to do that. And if he wants to continue with his manual payments; Zopa will need to find a way to consider his loan as paid to date each month when he makes a manual payment.

As a result of the loan being one month in arrears, Zopa sent Mr S many emails, texts and made many calls to him. He says these number 97 calls, and 30 emails between March 2022 and July 2022, plus many text messages. All these could've been avoided if Zopa had acted as I've suggested. And as it was, Mr S considered these to be unreasonable – with which I agree. Zopa say they were system generated – but the number of contacts does seem excessive to me – although I would add that we've not validated the numbers with Zopa.

I've listened to the calls between Mr S and Zopa on 2 March 2022, 4 March 2022, and 18 May 2022. And while I can accept that Mr S was frustrated, allow me to say that Mr S' aggressive and foul language wouldn't have helped his case, or to get matters resolved.

The other context here is the FCA's payment holiday scheme. To be clear, in April 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, had to put in place 'payment holidays' on many credit agreements, including personal 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 were not counted as arrears and would not be reported to credit reference agencies (CRAs), although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

Mr S had a payment holiday for three months in 2020. The missed payments were noted by Zopa (and they told us this) but they weren't counted as arrears or reported to the CRAs. But – eventually, those payments must be made up, and by agreement between the lender (Zopa) and Mr S. And so here – the email that Zopa sent to Mr S in December 2022 is correct – Zopa are asking Mr S to set up an agreement to pay off the suspended payments which total £1,035.55, or three payments of £345.18. The email gives alternative ways for Mr S to pay this – and he should contact Zopa to do this.

Putting things right

I think it's reasonable to ask Zopa to treat Mr S' manual payments as contractual ones, and to find a way to do that. Ideally, I'd encourage Mr S to sign a direct debit mandate – but I'm assuming he won't do that – but it should be considered by both himself and Zopa.

Zopa should delete the missed payment marks from Mr S' credit file from March 2020 to date.

Because of what happened, I can see that Mr S suffered a lot of distress and inconvenience. He says he received many calls and emails – which I accept. Our service has set out some criteria for deciding the level of awards. We say an award up to £300 might be suitable where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. Typically, the business's actions could have resulted in some acute stress lasting hours at the lower end – or a have had a milder impact across a few days, or even weeks. I think that Mr S' experience fits these criteria, and therefore the proposed award of £250 is confirmed.

The request for Mr S to make up the suspended payments from the covid payment holiday is a valid one from Zopa and Mr S should comply with this. **(continued)**

My final decision

I uphold this complaint. Zopa Limited must:

- Work with Mr S to find a satisfactory way to mark his manual payments to the loan as contractual payments.
- Delete the missed payments marks from Mr S' credit file.
- Pay compensation of £250 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 January 2023.

Martin Lord
Ombudsman