

The complaint

Mrs R is unhappy with how Zopa Limited handled her request to cancel her consolidation loan and reopen the original loans she'd held with them.

What happened

On 17 October 2022, Mrs R took out a consolidation loan which was used to clear two existing loans Mrs R held with Zopa at that time. A few days later, on 19 October, Mrs R called Zopa and asked to cancel the new loan and have the original two loans reinstated. Zopa's agent advised Mrs R that she would need to pay £84.66 in due interest to be able to cancel the new loan but didn't explain to Mrs R that Zopa wouldn't be able to reinstate the two older loans, given that they'd now been settled.

Mrs R made the payment of £84.66 in line with what Zopa's agent had told her. Then, having not heard anything about the reinstating of the two old loans, she contacted Zopa about this on 11 November. Mrs R was then told that she wasn't able to cancel her consolidation loan because Zopa couldn't reopen the loans that had been settled by the new loan. Mrs R wasn't happy about this, so she raised a complaint.

Zopa confirmed to Mrs R that they can't reopen settled loans. Zopa apologised that this hadn't been made clear to Mrs R when she'd first spoken with them and offered to pay £25 to her as compensation for any trouble and upset that she may have incurred as a result. Mrs R wasn't satisfied with Zopa's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. They felt it was reasonable for Zopa to not be able to reopen settled loans. But they didn't feel that £25 offer of compensation Zopa had made for the provision of incorrect information to Mrs R was fair and recommended that Zopa should pay £100 compensation to Mrs R in settlement of this complaint. Zopa didn't agree with the view of this complaint put forwards by our investigator, so the matter was escalated 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.

Zopa don't dispute that Mrs R wasn't given the correct information when she first asked to cancel the consolidation loan and to reinstate the two older loans the new loan had been used to settle. And Zopa have apologised to Mrs R for this and offered to make a payment of £25 to her as compensation for the frustration and inconvenience she incurred as a result.

I don't feel the £25 offered by Zopa provides fair compensation to Mrs R here, given what happened, and I agree with our investigator that Zopa should pay a further £75 to Mrs Z – for a total compensation amount of £100 – in light of the trouble and upset she's encountered.

I say this because when Mrs R first contacted Zopa on 19 October 2022, it should have been made clear to her at that time that she couldn't reinstate the two original loans as she

wanted to. But Zopa's agent didn't explain this to Mrs R, and instead told her to make a payment of £84.66 – which Mrs R subsequently paid, on the understanding that her new loan would be cancelled and the two original loans reinstated. As such, I'm satisfied that Zopa's agent did give Mrs R a false expectation of what would happen and instructed her to make a payment that would never have led to Mrs R achieving the result she wanted.

Additionally, it was only when Mrs R contacted Zopa herself – on 11 November – having heard nothing from them up to that time, that it was explained to her that her desired outcome had never been possible because Zopa weren't able to reinstate settled loans.

It also appears that Mrs R wasn't given completely accurate information at this stage, as she was led to believe that her new loan couldn't be cancelled. This wasn't correct, and in the absence of being able to reinstate the original loans Mrs R could have cancelled her new loan if she'd been able to clear the remaining capital balance of the loan at that time. And this information was only made given to Mrs R by Zopa in their response to her complaint dated 19 December 2022.

As such, I'm satisfied that Zopa misled Mrs R about the feasibility of her request to reinstate the two original loans and led her to make a payment to her new loan on a false understanding. And I'm also satisfied that Zopa then missed a further opportunity to accurately appraise Mrs R of her options regarding her loan – which wasn't done by Zopa until two months after Mrs R had initially contacted them. And I feel that because of these factors, Mrs R did incur an unnecessary degree of confusion, frustration, and inconvenience that she shouldn't fairly or reasonably have had to incur.

As such, I don't feel that the £25 compensation amount offered by Zopa is a fair amount here, given the full circumstances of this complaint. And so, my final decision will that I uphold this complaint in Mrs R's favour and that Zopa must pay higher compensation, totalling £100, to Mrs R – a £75 increase from their initial offer.

Putting things right

Zopa must pay compensation totalling £100 to Mrs R.

My final decision

My final decision is that I uphold this complaint against Zopa Bank Limited on basis described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 27 July 2023.

Paul Cooper
Ombudsman