

The complaint

Mr F complains that Zopa Bank Limited (“Zopa”) is holding him liable for the debt on a loan which he says he neither applied for nor knew about.

What happened

The background to this complaint is well known to both parties, so I won’t repeat everything here. In brief summary, in July 2022 a loan was taken out with Zopa in Mr F’s name for £17,000. Mr F subsequently got in touch with Zopa to let it know he hadn’t applied for the loan. Zopa investigated things and ultimately couldn’t reach agreement with Mr F, so he referred his complaint about Zopa to us. As an Investigator here couldn’t resolve the matter informally, the case has been passed to me for a 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.

Having done so, I’ve decided to uphold this complaint in part, and for materially the same reasons as our Investigator. I’ll explain why.

The first question is: did Mr F enter into this loan agreement, or was it done without his knowledge and consent as he alleges?

Having considered this carefully, I think it’s most likely the loan was taken out in Mr F’s name without his knowledge and consent, and he therefore did not enter into the loan agreement. I say this because:

- I’ve found Mr F’s submissions about him being scammed – and the scammers’ pretext for the loan funds coming into his account – to be plausible and persuasive. That is, Mr F has said that he thought he was involved in a legitimate investment but unbeknownst to him at the time, he was being scammed. He’s said he didn’t know about the loan and the scammers tricked him into believing the loan funds were monies the scammers were lending him temporarily as part of the ‘investment’.
- It’s easy to imagine from what Mr F has described how the scammers had enough information to successfully apply for the Zopa loan in his name without his knowledge. I can see Mr F reported the scam not only to Zopa, but also to Action Fraud, HSBC and Wise. And I think Mr F is likely telling the truth and this is most likely how things happened.
- Zopa should understand there won’t always be perfect evidence of everything a customer alleges. And in circumstances like this, the answer is not to automatically disbelieve a customer’s recollections. Rather, I have to make my decision based on what I think most likely happened taking into account all available information. That’s what I’ve done.

- It's noteworthy, and I think it adds further credibility to Mr F's testimony, that he's explained that he was later persuaded by the scammers to take out an HSBC loan *himself* (but that the Zopa loan was applied for by the scammers without his knowledge). I think it's unlikely Mr F would say this if he wasn't being open and upfront about his recollections.

Since I'm satisfied Mr F most likely didn't apply for or agree to this loan, I don't think it would be fair for Zopa to hold him to the terms of the loan agreement he never agreed to. So, Zopa shouldn't hold Mr F liable for interest and charges, neither should there be a record of the loan on Mr F's credit file – so if there currently is, this should be removed.

At the same time, I don't think Zopa was to know at the time that the application hadn't come from Mr F or that there was anything untoward about it. I take on board what Mr F has said about the scammers persuading him everything was fine, when he questioned them about the loan funds arriving in his account presented very clearly as from Zopa. But I'm not persuaded I can fairly say Mr F took reasonable steps at this point to verify the funds weren't from a loan in his name before allowing them to be moved on from there to what he thought would be a legitimate investment. So, I'm satisfied here, I can't fairly tell Zopa that it should not be able to pursue Mr F for any of the loan funds that are still outstanding, or that it should be required to refund to Mr F any repayments to the loan he has already made.

My final decision

For the reasons explained, I uphold this complaint in part and I direct Zopa Bank Limited to:

- remove all interest and charges on the loan;
- take any repayments already made to the loan by Mr F to date as having reduced the loan balance;
- remove reference to the loan from Mr F's credit file; and
- not pursue Mr F for more than the outstanding amount of the principal loan of £17,000.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 25 October 2023.

Neil Bridge
Ombudsman