

The complaint

Mr E complains Zopa Bank Limited reduced his credit score unfairly.

What happened

Mr E applied for a credit card with Zopa. Mr E checked his credit score and saw it had dropped by over 100 points. Mr E was then declined car finance.

Mr E checked his credit file and saw Zopa had placed U markers against his credit card. Mr E also contacted a credit file provider and says he was told the U markers had caused the drop in his score.

Mr E spoke to Zopa, and it said it would update his credit file within 48 hours, but this wasn't done. Mr E complained, and Zopa responded to say the U markers weren't adverse markers and didn't think they caused the drop in Mr E's credit score.

Zopa said it reports to the credit reference agencies on the 1st of each month and should have updated a payment made on the 30th. Zopa agreed to update this payment and offered Mr E £50 to compensate for the poor advice he was given on his earlier call.

Unhappy with this response, Mr E brought his complaint to this service. An investigator looked into things and thought Zopa had done enough to resolve things. The investigator said the U markers had a neutral effect on Mr E's credit score.

The investigator didn't think Zopa had caused Mr E's car finance application to decline. The investigator said lots of other factors, like affordability, would also be considered. The investigator thought the updated file and the offer of £50 was a fair resolution.

Mr E didn't agree and said since the credit reference agency had confirmed Zopa caused the drop, he wanted to be compensated for his declined application. Mr E said once the credit file was updated, his score increased, so it must be Zopa's fault.

The investigator got a copy of the call Mr E made to the credit reference agency. The investigator didn't think this call confirmed Zopa caused the drop because of the U markers.

Instead, the investigator thought the call confirmed the application Mr E made, along with the hard search, caused the drop.

Mr E asked for an ombudsman to decide things.

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's explained it recorded a U marker for two months because no payment was due in

either of those reporting months. A U marker means unclassified or no payment due yet.

Mr E's credit card payment is due on the 5th of each month. Since Zopa sends information to credit reference agencies on the 1st of each month, no payment was due for either month it recorded a U.

I think this is correct, the U marker indicates no repayment is due, and no repayment was due. I think Zopa was right to record a U marker for both months.

Mr E made a payment on the 30th, and Zopa didn't record this payment in the information it sent to the credit reference agencies. I think Zopa should have recorded this payment, even though it wasn't due and wouldn't have stopped a U marker being shown.

Zopa agreed to record this payment and has. I think this is a fair outcome.

When Mr E first contacted Zopa it said it would update his file but didn't. I think this was the wrong information, Mr E's credit file was accurate, so Zopa didn't need to update anything.

But this means Mr E was given the wrong information, and Zopa's agreed to pay £50 to compensate Mr E for the wrong information he was given. I think this is a fair offer.

Mr E says his application for car finance was declined solely because of what Zopa recorded. I don't think this is the case, I don't think the U markers caused Mr E's credit score to drop.

As the investigator said, any application for credit will take lots of factors into account, including, but not limited to, the lender's own credit score, Mr E's available credit, his previous and current borrowing and whether he could afford further credit.

I don't think the only reason for the decline was his lowered credit score, and I don't think Zopa recording U markers caused the drop.

I've listened to the call Mr E made to the credit reference agency. In this call the advisor says the likely reason behind the drop is the application Mr E made for the Zopa credit card.

This application left a hard search on Mr E's credit file, and this can lower the score. I'm satisfied Zopa recorded this search because of Mr E's application, so I don't think Zopa's done anything wrong here.

And the advisor says a newly opened credit account will also cause a temporary drop in Mr E's credit score. The newly opened account was Mr E's Zopa credit card.

I think it's more likely the application and opening of Mr E's Zopa credit card caused the temporary drop in his credit score. Since there's no dispute Mr E applied for the Zopa credit card, I can't say Zopa's done anything wrong in recording the open credit card.

I know the decline of credit caused Mr E considerable distress and inconvenience and Mr E's since told this service of the severe impact this has had on him.

I'm very sympathetic to Mr E's current circumstances and the effect the decline has had on him personally. But I can't agree Zopa caused the decline of this credit because of any errors it made.

I think Zopa recorded the application and opening of the credit card correctly on Mr E's credit file. I also think Zopa correctly recorded U markers to show no payment was due for either

month.

Because of this, I don't think Zopa needs to compensate Mr E for the declined credit he applied for.

My final decision

My final decision is I uphold this complaint and Zopa Bank Limited should pay Mr E £50 to compensate him for the incorrect information he was given.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 11 December 2023.

Chris Russ
Ombudsman