

The complaint

Mr H complains that Zopa Bank Limited hasn't reported accurate information to a credit reference agency, which has affected its lending decision. Mr H says that Zopa misled him about his credit score, and he's lost out on other available credit causing him undue stress.

What happened

Mr H said he told Zopa on numerous occasions that its borrowing power isn't accurate, and it has failed to update his credit file correctly with a credit reference agency. He said Zopa told him it has his payments up to date, but he has evidence to show there are no green ticks on his report for May and June 2023, contrary to what Zopa's claims.

Mr H said his credit reference hasn't been updated since opening his credit card and Zopa hasn't checked or even looked at this. He said Zopa claims the information from the credit reference agency is accurate, and said his credit score is in the 200s. Mr H said this would mean he has a very poor rating, whereas (another credit reference agency) has his rating at 600 – 'Good'. Mr H said this has affected the borrowing Zopa is providing him.

Mr H complained to Zopa. He said the whole point in having a credit card is to help with other products should a customer wish to show another lender they are using their credit card correctly and this is reported to the credit reference agency, but Zopa is ruining this.

In its response Zopa said Mr H opened his credit card on 26 May 2023 with a credit limit of £1,000. Zopa said the first transactions were on 4 June 2023 and on 10 June he cleared his balance, as shown on his first statement in July 2023. Zopa said it reported the nil balance to Mr H's credit file in June and July 2023, and his credit card was open and up to date.

Zopa said it reports balances to credit reference agencies each month, but not specific use of a credit card. It said if the card holder made at least the minimum payment it would report payments are up to date and any remaining balance. Zopa said the credit reference agency generates two scores from the same information, including a score out of 700 concerning borrowing power, and Zopa doesn't make calculations about affordable credit itself.

Zopa signposted Mr H to more information about this on its website and said he would need to address concerns about this approach with the credit reference agency. Zopa was satisfied it had reported the correct information to Mr H's credit file and had administered the score correctly based on the information it receives from the credit reference agency.

Mr H wasn't satisfied with Zopa's response and referred his complaint to our service.

Our investigator didn't recommend the complaint be upheld. He said Zopa hadn't made an error in its reporting to, or use of the credit data received from the credit reference agency. He said the credit data sent by Mr H didn't match the credit reference agency's data Zopa received, but Zopa has shown its veracity and confirmed this isn't edited prior to use within a consumer's borrowing power. The investigator said he wouldn't expect Zopa to verify the data with a consumer and Zopa was entitled to rely on it. He said Zopa has correctly reported no payments due on Mr H's credit file for May and June 2023.

Mr H disagreed, saying each lender must prove a credit score and he'd provided evidence of his from the credit reference agency and yet the investigator accepted Zopa's much lower score. He Zopa provided a printout of a score with no mention of a credit reference agency.

Mr H requested an ombudsman review his complaint as he said the investigator's decision is biased and wrong and his disregard of the evidence is 'almost criminal'. He said the investigator is calling the credit reference agency's data lies and taking Zopa's on good faith.

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.

Mr H has said that the credit score Zopa has is not a reflection of his actual score and he has evidence that Zopa are not reporting accurately his data to the credit reference agency. He said these failures have impacted on his borrowing power, which doesn't reflect the score he has obtained from the credit reference agency.

I have looked at Zopa's handling of Mr H's credit data and borrowing power to see if it has acted in accordance with its normal practice and to see if it has treated him fairly and to see if it has made a mistake with Mr H's credit rating.

In support of his complaint, Mr H said he doesn't think the data information received from Zopa was enough to confirm that it had been sent by the credit reference agency and shouldn't have been accepted. Since Mr H raised this concern we have obtained a screenshot of the information Zopa reports, containing Mr H's unique Zopa member ID. This is intended to protect Mr H's data from unauthorised access.

We haven't, as Mr H suggested, disregarded the email from the credit reference agency that Mr H has provided and just sided with Zopa. We have verified the information from Zopa and linked it to Mr H. I think this is data related to Mr H and I agree with the investigator that Zopa was entitled to rely on this in its assessment of Mr H's credit worthiness. To take the view that Mr H has reached would be to indicate that Zopa is constructing its own credit data or amending what it receives before use. This approach would render its arrangement and payments to the credit reference agency meaningless, and I've seen no evidence of this.

From what I have seen, the credit score information sent to Zopa is used by Zopa as received. Mr H has been in contact with the credit reference agency about his credit score and may have received further information about the calculation of his credit score. His complaint is about Zopa and so we can't consider the actions of third parties here.

My understanding is that the credit reference agency data is converted to scores out of 700 and 1000 and these scores are provided in the credit file. Zopa uses the score that is out of 700 whereas the credit reference agency publishes the score out of 1000 on the website, in line with the approach taken by other agencies. To confirm, the credit reference agency calculates both scores for the benefit of its client businesses.

As far as I'm aware Zopa has correctly reported no payments due on Mr H's credit file for May and June 2023. In any event I would hope that payment information from then would be unlikely to have much effect on Mr H's current rating.

Having reviewed the key issues of Mr H's complaint I have reached the conclusion that Zopa has provided the credit reference agency with correct information about Mr H, and has administered his credit score correctly based on the information it receives from the credit reference agency. I realise Mr H may be disappointed with my decision, but I haven't found that Zopa has made a mistake in its reporting to, or use of the credit score it received from the credit reference agency, and so I can't uphold his complaint.

It is worth bearing in mind the advice from credit reference agencies that their scores are designed to be indicative of how lenders will view applications for credit, but lenders will also use other factors to decide on creditworthiness. This means that Zopa may disregard the credit score provided and still decide to limit an offer of credit if it so decides about a customer.

Our service provides outcomes to complaints, but it's not our role to instruct businesses on how to operate with regard to accounts and credit factoring. I can understand Mr H's frustration about his credit score but I haven't seen evidence of a mistake by Zopa and so it wouldn't be fair for me to uphold his complaint. It is open to Mr H to contact the Financial Conduct Authority, Zopa's regulator if he has concerns about how it is operating, but he should note that the FCA won't address individual complaints.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 May 2024.

Andrew Fraser
Ombudsman