

The complaint

Mr H complains that Zopa Bank Limited hasn't provided the support it should have in regard to his credit card account. He wants Zopa to set up a repayment plan, remove all adverse information from his credit file and pay compensation for the distress and inconvenience he has been caused.

What happened

Mr H was provided with a credit card by Zopa in October 2021. In August 2022, he contacted Zopa about a late payment and explained that he thought he had set up a recurring payment through the app and asked for the late payment charge to be waived. Mr H explained that he has a mental health condition which meant he could suffer from brain fog and could miss making payments. Mr H says that Zopa didn't assist him and while he tried to set up his recurring payment this wasn't successful and further payments were missed. He feels that Zopa has discriminated against him and not supported him despite him explaining his circumstances.

Zopa issued a final response dated 21 July 2023. It said that Mr H had missed payments in May, June and July 2023. It said it sent emails ahead of the payment falling due to let him know of the minimum payment required and there was a link provided for Mr H to make a payment by his debit card. It said that as the payments were missed late payment fees were charged. It explained that it cannot set up a continuous payment authority (CPA) for a customer and that Mr H needed to do this on the Zopa app. It said this was set up on 27 June 2023 to collect the minimum payment. It said this was the first time this was set up and it had nothing to show the Mr H had contacted it about this in April or May 2023.

Zopa further noted that Mr H had set up a promise to pay on his account to pay £43.17 on 3 July 2023. It said it sent Mr H an email explaining that this payment needed to be made by bank transfer or by calling Zopa. It said this payment wasn't made. It noted that Mr H had shared details of his condition on a call on 14 July 2023 and that it had a customer care team that could provide additional support. Zopa didn't accept that it had done anything wrong in regard to the charges applied to Mr H's account and the reporting of the missed payments to the credit reference agencies.

Following the response, Zopa defaulted Mr H's account. Mr H referred his complaint to this service reiterating that he had tried to set up the recurring payment on several occasions. He thought that by cancelling his card and defaulting his account Zopa had behaved inappropriately and discriminated against him.

Our investigator noted that a CPA had been set up in June 2023 and that while Mr H had attempted to set this up in May 2023 the process wasn't completed. She looked at Mr H's credit file and saw that missed payments were reported from June 2023 to October 2023. Zopa explained that the CPA payment would only be taken if the account was up to date or one payment in arrears and while Mr H had set up a promise to pay for 3 July 2023 which would have meant his account would have only been a month in arrears, this payment wasn't made and so the CPA wasn't collected.

Our investigator thought Zopa should have done more to assist Mr H given his vulnerabilities. She noted that when Mr H contacted Zopa to raise a complaint Zopa confirmed the CPA was in place but didn't explain that due to Mr H's account being two months in arrears the payments wouldn't be taken. The final response letter also suggested the payment would be taken. So, she thought it reasonable that Mr H was unaware that his payment wouldn't be made. She thought that given the restriction of the CPA and Mr H's mental health condition, Zopa could have done more to offer alternative payment routes, such as a direct debit.

While our investigator didn't find evidence to show that Zopa had discriminated against Mr H she didn't think it had provided the support it should have given Mr H's vulnerability. Because of this she recommended that the missed payment markers applied from July 2023 and the default be removed from Mr H's accounts and the late payment charges refunded. She also thought Mr H should be paid £100 compensation for the distress and inconvenience he was caused.

Zopa responded to our investigator's view stating that it didn't believe there was more it could have done to assist Mr H. It said its specialist team was available to assist Mr H and any contact from him would have been treated with the utmost care. Based on this, it asked for the complaint to be passed to an ombudsman for a decision to be issued.

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.

I can understand why Mr H is upset by the experience he has had with Zopa. I thank him for providing the details of his medical condition and information about the impact this has on him, particularly in regard to making financial decisions, and his description of the brain fog he can suffer. Given Mr H's medical condition, I can understand why it was so important for him to have a regular payment set up from his account to his credit card to mitigate any issues, such as missed payments and to ensure his payment was made each month before his other spending. I have taken this all into consideration when assessing this complaint.

I note Mr H has said he feels Zopa has discriminated against him. While we take any allegation of discrimination seriously, I should first explain that we are an informal dispute resolution service, meaning we don't have the power to decide whether or not Zopa is in breach of the Equality Act 2010, as only a court has the power to do this. What we can do is take relevant law and regulation into account when deciding what's fair and reasonable in the circumstances of a complaint.

Mr H informed Zopa about his medical condition in August 2022. In the email, in which he apologised for missing a payment, he explained that his condition could give him brain fog and so he sometimes forgot things and he thought this could be why he hadn't set up the recurring payment. Given this information, I find that from this point, Zopa should have considered Mr H as a vulnerable customer and ensured that he was provided with the appropriate support.

Mr H missed further payments in May, June and July 2023. I can see that Mr H attempted to set up a CPA in May 2023 but didn't complete the process. Mr H contacted Zopa in June 2023 to raise a complaint about the issues he had experienced setting up a CPA. Given he had mentioned he had meant to set this up in August 2022, and then attempted this process in May 2023, I think that Zopa should have been aware that Mr H was struggling with the process but was clearly intending to have a regular payment mechanism in place for his account.

Mr H successfully set up a CPA in June 2023. He received a message confirming this had been set up and that his debit card would be billed for the minimum payment amount every month. Given this I think it reasonable that Mr H would expect his payments to be taken each month without any further input from him.

However, Zopa has explained that as Mr H's account wasn't up to date and was more than one month in arrears, the CPA payment wouldn't be taken. On the chat that took place on 27 June 2023, when Mr H raised a complaint about the issue he had experienced in setting up a recurring payment, I find it was clear he wanted to have this in place to prevent any further missed payments. The agent confirmed Mr H's arrears on his account and that the CPA was in place and the amount it would take as the minimum payment on 3 July 2023. At this time, no mention was made of the restrictions of the CPA or that his payment wouldn't be taken due to the arrears on his account.

Mr H then received a final response to his complaint dated 21 July 2023. This was after the July payment hadn't been taken under the CPA however the letter didn't provide any reason for this and again confirmed that the CPA was in place and payment would be taken automatically each month.

Mr H had also set up a promise to pay due on 3 July 2023. I can understand why he thought this would be taken along with his CPA payment but in the final response it was explained this would need to be made by bank transfer. I note Zopa's comment that had this promise to pay payment been made on 3 July it would have brought Mr H's account within the requirements for the CPA to be actioned, but Mr H wasn't told this.

I can see that Zopa did send its usual reminders about payments due and information about how payments could be made if they were missed. But given Mr H had informed it of his vulnerabilities and had made it clear that he wanted a regular payment mechanism in place, I think it should have done more to support him. Specifically, I think it would have been reasonable when confirming Mr H's CPA to be in place to have informed him that this wouldn't be actioned due to the arrears on his account.

In this case, I find it reasonable to accept that had Mr H been supported in putting the appropriate regular payment mechanism in place in June 2023, then he wouldn't have continued to miss payments on his account. This would have then prevented the missed payment markers and charges being applied and the account defaulting. Because of this I think that Zopa should remove this information from Mr H's credit file and refund him the charges applied during this time.

This issue has caused Mr H distress and inconvenience. He has explained his circumstances and I cannot see that Zopa has taken his vulnerabilities into account in its dealings with him. Mr H has tried to prevent issues on his account and explained why this is difficult for him. Mr H believes that what Zopa has done goes beyond poor customer service. He felt discriminated against. I can understand why Mr H feels this way, and I do think Zopa hasn't quite grasped how its actions have made Mr H feel. Because of this I agree with our investigator's recommendation of £100 compensation.

Putting things right

As I do not find that Zopa provided Mr H with the support it should have which resulted in his account falling further into arrears and then being defaulted, I find that Zopa Bank Limited should:

- Remove the missed payments from July 2023 to when the account was defaulted

and remove the default from the account.

- Refund the late payment charges for the months of July 2023 till when the account was defaulted.
- Pay Mr H £100 in compensation for the distress and inconvenience he's experienced.

My final decision

My final decision is that Zopa Bank Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 August 2024.

Jane Archer
Ombudsman