

The complaint

Miss G complains that Zopa Bank Limited (“Zopa”) defaulted her account and sold the debt to a third party.

What happened

Miss G applied for a loan with Zopa on 14 February 2020. The loan was for the sum of £20,000 with monthly repayments of £375.88 due on the 14th of each month.

Miss G’s last contractual payment on the loan was made on 14 April 2020. On 30 April 2020 Miss G requested a three month repayment break as part of the Covid Forbearance scheme. On 15 July 2020 Miss G completed an online form “COV-19-90 Default” requesting that Zopa default the agreement. The default had the effect of freezing loan interest and stopping further arrears from accruing.

On 27 August 2020 Miss G entered a repayment plan of £250 per month. This plan was broken on 27 May 2021. On 29 September 2022 Miss G entered a repayment plan of £250 per month. This plan was cancelled on 2 September 2023. On 19 May 2023 Miss G entered a repayment plan for 6 months at £10 per month. This plan was cancelled on 15 November 2023.

In or around August 2023 Zopa sold the debt to a third party.

Miss G complained to Zopa.

Zopa didn’t uphold the complaint. In its final response it said the terms and conditions of the loan allowed it to sell the debt at any time after Miss G had stopped paying her contractual repayments on time, and that any repayment plans set up after the account had defaulted didn’t affect this.

Miss G remained unhappy and brought her complaint to this service. She says she was making payments in accordance with the repayment plan when the debt was sold without any prior notice or communication with her. She felt that Zopa had acted unfairly.

Our investigator didn’t uphold the complaint. She said that it was reasonable for Zopa to default the account because the contractual repayments of £375.88 hadn’t been adhered to. She also said that the terms and conditions of the account allowed Zopa to sell the debt without informing the account holder first.

Miss G didn’t agree. She said that although the account was defaulted in 2020, she’d maintained payments under a repayment plan ever since. Miss G said that Zopa had breached the agreement by selling the debt to a third party without her consent.

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've reviewed the available information about Miss G's account. The last contractual payment of £375.88 was made by Miss G in April 2020. The account fell into arrears in May 2020 and was defaulted in July 2020.

The terms and conditions of the loan agreement say that Zopa can sell an account at any time after the customer stops paying the contractual repayment on time. The relevant terms and conditions are set out at clause 7 of the agreement headed "Assignment of Loan Contracts". So in this case, Zopa had the right to sell the debt at any time after July 2020 when the covid forbearance period ended and the account was defaulted.

I can see that Miss G entered several repayment plans following the default. She's said that she maintained payments under the repayment plans. This isn't disputed by Zopa. However, Zopa's right to sell the debt once the account has defaulted isn't affected by the repayment plans, even if all payments under the repayment plan are up to date.

I appreciate that Miss G doesn't think Zopa should've sold the debt to a debt collection agency without telling her or obtaining her consent. I've already explained above that it isn't necessary for Zopa to obtain consent before selling a debt. There was no obligation on Zopa to notify Miss G before it sold the debt. So, I'm unable to say that Zopa has breached the agreement or made an error here.

Taking everything into account, I'm unable to say that Zopa has made an error or treated Miss G unfairly by selling the debt to a third party.

Miss G has said that she is confused as to who she should contact regarding her reduced payments. Because the debt has been sold, Miss G should contact the debt collection agency about her ongoing payments.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 6 July 2024.

Emma Davy
Ombudsman