

The complaint

Ms J complains that Zopa Bank Limited (Zopa) defaulted her loan account.

What happened

In October 2019, Ms J took out a loan from Zopa as shown:

Date drawn	Amount (including interest)	Term	Monthly Repayments
1 October 2019	£36,679.88	60 months	£611.33

Payments were made in October 2019 and November 2019 but after that Ms J ran into difficulty in making regular payments. The payments to the loan for the next months were:

December 2019: £100

January 2020: £1,122.67 (after direct debit failed on 17th January)

February 2020: £1,000; £100

March 2020: nil

April 2020: nil

May 2020: £100

June 2020: £100

July 2020: £100

August 2020: £100

September 2020: £100

Zopa sent a Notice of Arrears in April 2020 – the arrears were then £1,487.62 (i.e. two months).

On 29 July 2020, Zopa sent an email to Ms J which said she could pay £300 per month. The email also said the arrears were £2,961.88, equivalent to five months' payments which meant the loan may be defaulted.

Zopa sent a Notice of Default on 29 July 2020 – the arrears were then £2,961.88 (i.e. five months) and the Notice said these needed to be paid by 17 August 2020.

On 30 July 2020, Ms J emailed Zopa to say she could only afford £100.

Zopa sent a demand and defaulted the account on 17 August 2020 – the balance was £25,253.17 (after an interest refund) and the debt was passed to a debt collection agency (DCA) to manage. In September 2021, the balance was £25,162.

On 25 August 2020, Zopa emailed Ms J to say the agreed payments of £100 were still in place for six months, but the account had been defaulted.

Ms J complained. She said she couldn't have been expected to make payments during the pandemic, so the default was unfair. She was self-employed and her income stopped. She received no government support. As a result of the default, she can't get any credit and this is affecting her life.

Zopa didn't uphold Ms J's complaint and said:

- Ms J had missed a number of the contractual payments. On 29 July 2020, they'd written to her to say the arrears were £2,961.88 – almost five months - and said they could agree to payments of £300 per month. The email said she was at risk of defaulting and a Notice of Default would be issued asking for the arrears to be cleared.
- After Ms J said she could only afford £100, Zopa agreed to this and sent an email dated 25 August 2020 saying this was in place for six months.
- A Notice of Default had been sent and as the arrears hadn't been paid off within its 19-day deadline, Zopa made formal demand and defaulted the loan on 17 August 2020. The debt was then sold to a DCA to manage.

Ms J brought her complaint to us. Our investigator didn't uphold it. He said:

- By the time the Notice of Default was sent (on 29 July 2020), the arrears were £2,961 – five months' payments.
- And so, Zopa made demand and defaulted the loan on 17 August 2020 as they were entitled to do. The balance was then £25,253.
- While Zopa did agree to reduced payments of £100, this still meant that arrears were building up and therefore led to the default.
- He considered whether Zopa should've given support to Ms J under the temporary help lenders could give under the pandemic relief rules issued by the FCA.
- Those rules said a maximum of six months payments could be suspended from March 2020.
- And by July 2020, Ms J's loan was already more than three months in arrears. So, it was likely her loan would've defaulted anyway.
- He said the default couldn't be removed from Ms J's credit file.

Ms J didn't agree and asked that an ombudsman look at her complaint. She said – she complained to Zopa in August 2023 but didn't get a reply until May 2024; she made payments whenever she could during the pandemic, despite being on a reduced income; the government support for her as a self-employed person was non-existent; and she had no knowledge of the default until she tried to borrow some money for home improvements.

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 looked at whether Zopa treated her fairly and in line with the FCA's pandemic support scheme which came into effect in April 2020 – for customers whose income was affected by the pandemic.

In April 2020, The Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Zopa, had to put in place 'payment holidays' on many credit agreements, including loans – to help customers who were affected. Customers could ask for a total of two payment holidays each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

The intention was to provide short term support – usually in cases where customers would be returning to work within a short period of time. And so – where a customer's situation was that they were in longer term difficulty, then payment holidays under this scheme weren't normally agreed. And if a customer's difficulties existed before the pandemic, (i.e. if there were pre-existing arrears), then a payment holiday couldn't be agreed.

And – even though temporary payment holidays could be agreed, this didn't stop defaults from taking place when arrears built up.

Looking at Ms J's situation – it's likely that her problems started before the pandemic hit - which was in March 2020. I say that as she missed the full payment due in December 2019 (and paid £100). The direct debit in January 2020 was returned unpaid and then Ms J made it up with a payment on 31 January 2020. So on balance, it looks like her financial problems started before the pandemic and couldn't be entirely due to it. That means she wouldn't have qualified for the support scheme.

The other matter I need to consider is – whether her financial strains were temporary and could have been coming to an end by the time the support scheme ended – in October 2020. For persons in regular employment, that usually meant they would return to work. But Ms J was self-employed and I've not seen anything that suggests her situation was going to improve by that time – there is nothing in Zopa's notes or Ms J's emails that this was the case. So it appears that Ms J's difficulties were more long term and were going to last beyond October 2020.

This is also supported by the fact that I've seen the balance of her loan remained at the same, or similar levels up to September 2021, so it doesn't look like she was able to return to making repayments.

So, on balance I don't think she would've qualified for the pandemic support scheme as her issues pre-dated the pandemic and there wasn't any prospect of her returning to regular income in the short term.

Given that - I've gone on to consider whether Zopa treated her reasonably in the way they dealt with her and whether they communicated with her in a clear and not misleading way – as they are required to.

I can see that Ms J contacted Zopa in April 2020 to say her income had stopped but she would let Zopa know if she could get any support. Zopa then wrote to her on 2 April 2020 to

say the loan was placed on a 30-day hold.

Zopa's email to Ms J dated 29 July 2020 said they'd accept reduced payments of £300, but because she was then five months in arrears, the loan was eligible to be defaulted. And at the same time, Zopa sent a Notice of Default which said the arrears were £2,961.88 – five months in arrears, and that they needed to be paid by 17 August 2020. And – the arrears weren't paid.

And – Zopa then defaulted the loan on 17 August 2020 and sent Ms J the default letter.

So – I'm satisfied these communications were clear.

The guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error. And in Ms J's case, she was five months in arrears – so Zopa were entitled to default the loan.

I've then considered what would likely have happened if Zopa hadn't defaulted the loan at that stage – if for example the firm had continued to accept the reduced payments of £100 for a few more months with no default action.

And here, it seems likely that Ms J would've defaulted in any case, but at a later date – because no payments were made to the loan for at least another year (up to September 2021) – and a firm can't reasonably be expected to not default an account which has such arrears. And – as the default would remain on Ms J's credit file for six years, it would not be in her interest to apply the default at a later date in any case.

Ms J said to us that she complained to Zopa in August 2023 and didn't get a response until May 2024. That seems a long time – but I couldn't see any reference to a complaint in Zopa's notes at the earlier date of August 2023. And on her complaint form to our service Ms J stated she complained to Zopa in March 2024 – so I don't think there's anything I can do in this respect.

I was sorry to hear of Ms J's circumstances and the impact her difficulties have had on her. But, having reviewed what happened, I am not asking Zopa to do anything here.
(continued)

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 29 November 2024.

Martin Lord

Ombudsman