

Complaint

Mr K says that Zopa Bank Limited unfairly refused to reinstate his hire-purchase agreement after it terminated it because of the arrears that had accrued.

Background

In May 2021, Zopa provided Mr K with finance for a used car. The cash price of the vehicle was £10,250.00. Mr K paid a deposit of £250 and entered into a 60-month hire purchase agreement with Zopa for the remaining amount he required.

The loan was for £10,000.00, had interest and charges of £3,951.59 and a 60-month term. This meant that the balance to be repaid of £13,951.59 (which did not include Mr K's deposit) was due to be repaid in 60 monthly instalments of £232.53.

At the end of January 2022, Zopa was unable to collect Mr K's monthly payment. There followed a number of missed payments after this and in April 2022, Mr K ended up in three months of arrears on the account. From September 2022 onwards, Zopa has been writing to Mr K to let him know that he was in more than three months of arrears on his account and that he was at a risk of defaulting.

While Mr K has made some payments since then and there have been attempts to set up repayment plans, these arrears have not been made up. In December 2023, Mr K made a reduced payment after this was followed by a further reduced payment in February 2024, Zopa terminated Mr K's agreement, as the amount he owed meant that he was now the equivalent of more than three months in arrears.

Mr K was subsequently told that he needed to either voluntarily surrender custody of the car, or settle the remaining balance on the finance in full. Zopa told Mr K that it reserved the right to take steps to recover the car should Mr K not take either of these options. Mr K was dissatisfied at this as he wanted his hire-purchase agreement restored.

Zopa didn't uphold Mr K's complaint. It said that it had taken steps to try and help Mr K get his agreement back on track and in circumstances where he wasn't able to do and the arrears were mounting, it was reasonable to terminate the agreement when it did. Mr K remained dissatisfied and referred his complaint to our service.

One of our investigators looked into Mr K's concerns. She didn't think that Zopa had done anything wrong or treated Mr K unfairly and so didn't recommend the complaint be upheld. Mr K disagreed and so the complaint was passed to an ombudsman for a final decision.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything provided, I've decided not to uphold Mr K's complaint. I'll explain why I've done so in a little more detail.

It isn't in dispute that Mr K has had a number of missed payments on his hire-purchase agreement and that he was referred to Zopa's collections team as a result. Furthermore, I can see that there was more than one instance where Mr K told Zopa his arrears were because he was experiencing difficulty. Once a lender is told, or it realises, that a borrower is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations.

Zopa placed temporary holds on Mr K's account in order to provide him with breathing space to find a sustainable method of making up his payments. I'm satisfied that this was a reasonable first step to what Mr K had told Zopa about his circumstances. However, these holds were only ever meant to be temporary measure and Zopa did require Mr K to complete an income and expenditure assessment to show what if anything he could pay going forward. So I think it's fair to say that Zopa did try to take reasonable steps to help Mr K bring his account up to date.

The information I've seen indicates that Mr K agreed an arrangement with Zopa in November 2023 but then missed his December 2023 payment as part of this arrangement. I can also see that Mr K went on to miss his February 2024 payment too. Given Mr K's account was in arrears by an amount well in excess of three months payments by this stage and he'd been sent a number of formal notices of default, I don't think that it was unfair or unreasonable for Zopa to have terminated the agreement in February 2024.

I do sympathise with what Mr K has told us. I appreciate that he needs a car as he has caring responsibilities, why he's unhappy with adverse information being recorded on his credit file and worried that the agreement being terminated will mean that Zopa recovers the car from him.

However, by February 2024, it was clear that Mr K's difficulty repaying wasn't temporary. I don't think it would have been fair, reasonable or proportionate for Zopa to continue ignoring Mr K's obvious and apparent difficulty, or the fact that Mr K couldn't adhere to the payment arrangements and appeared unable to bring the account up to date, indefinitely.

So by this stage, I would have expected Zopa to have taken action in the way that it did. After all while terminating an agreement and recording a default or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the debt in question. For example, allowing Mr K to explore voluntary surrender options, or some other way of perhaps being able to keep the car.

Furthermore, asking Zopa to remove the default and reinstate Mr K's agreement, when Mr K was so far removed from performing his obligations in line with the initial arrangements and I can't see that Mr K is in a position where things will be any different going forward, would arguably be counterproductive and not in Mr K's interests.

I realise that Zopa's decision will have been very disappointing to Mr K and I can appreciate why the termination of his agreement and the refusal the reinstate it will have caused him inconvenience. But despite this, I'm simply not in a position to be able to tell Zopa it had to continue the agreement, or that it should now reinstate it, in circumstances where it had legitimate grounds to terminate it. I'm therefore satisfied that Zopa didn't act unfairly or unreasonably in terminating Mr K's agreement or recording any adverse information it did.

Overall and having considered everything, I have not been persuaded to uphold Mr K's complaint. I appreciate that this will be very disappointing for Mr K. But I hope that he'll understand the reasons for my decision and at least feel that his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 March 2025.

Jeshen Narayanan
Ombudsman