

The complaint

Mr R complains that Zopa Bank Limited recorded negative information on his credit file in relation to payments to his loan which he'd made manually on the due date rather than by direct debit.

What happened

In May 2022 Mr R took out a personal loan for £4,000 over a 36 month term. The contractual monthly payments were £161.96 due on 15th of each month.

For the first year, Mr R made his monthly payment by direct debit with no issues. In mid 2023 Mr R cancelled his direct debit and began making manual payments. Mr R usually made the manual payment on 15th of each month but some months it was earlier.

Mr R made a manual payment on 13 October 2023. He intended this to be for his October payment. However, as the payment was made before 15th, Zopa recorded it as a lump sum payment against the outstanding balance. It then recorded the October contractual payment as a missed payment.

Mr R made a manual payment on 15 January 2024. He intended this to be for his January payment. Zopa recorded this as a lump sum payment against the outstanding balance. It then recorded the January contractual payment as a missed payment.

Mr R queried this with Zopa in January 2024. He didn't think it was fair that negative information was being recorded on his credit file when he'd made his payments on time.

Zopa explained to Mr R that its payment system was set up for due date direct debit payments and that manual payments should be made after the due date (16th) in order to avoid them being recorded as lump sum payments. Zopa said that if Mr R set up a direct debit for monthly payments this would avoid any issues.

Mr R was concerned that paying on 16th would still result in negative information being recorded on his credit file. He raised a formal complaint with Zopa.

In its final response dated 8 March 2024 Zopa said that its payment system was set up for direct debit payments. It said that if Mr R wanted to pay manually, he would need to let his payment fail on 15th and make the payment the following day. Zopa said this would correctly record as the payment for that month. Zopa agreed to remove the missed payment markers for October 2023 and January 2024. They also credited Mr R's account with £100.52 as a gesture of goodwill in relation to the January 2024 payment and £102.70 in relation to the October 2023 payment.

Mr R remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. They said that the limitations of Zopa's payment systems meant that if Mr R made a manual payment on 15th of the month, it wouldn't be recorded as the contractual payment for that month. The investigator said that this service

wasn't able to tell Zopa to change its systems and said that Zopa had offered a reasonable alternative payment option to Mr R which wouldn't cause him any detriment, which was to make his manual payment the day after the due date. The investigator said that alternatively, Mr R could set up a direct debit for 15th of each month.

Mr R didn't agree. He said there was nothing in the agreement which said he had to pay by direct debit or that he couldn't pay anytime around 15th. He said there was still a negative impact on his credit file.

Because Mr R didn't agree I've been asked to review the complaint.

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 know it will disappoint Mr R but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point its not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I've looked at the loan agreement. This states that Mr R must make monthly repayments of £161.96 over 36 months. The agreement states that Zopa will confirm the repayment date to Mr R in writing and that each subsequent repayment will be due and payable on the same date of each consecutive month thereafter.

It's not in dispute that Mr R's repayments are due on 15th of each month.

I've reviewed the payment history. I can see that whilst Mr R was paying by direct debit there were no issues. Following Mr R's decision to cancel his direct debit and make manual payments, there were some occasions where he made a payment either prior to or on the due date of 15th. It is these payments which have been treated as additional payments to reduce the balance (as opposed to the monthly contractual payment).

I've looked into why this has happened.

Zopa has explained that its payments system is set up for direct debit payments. Any payments made manually before or on the due date are considered to be additional payments and the contractual monthly payment is recalculated and still due. If the contractual monthly payment isn't received in that month, this is recorded as arrears on the credit file.

I understand Mr R's frustration. I can see that he's made manual payments equivalent to the contractual monthly repayment. But because of the way in which Zopa's payment system works, the manual payments were applied in reduction of the overall balance and the monthly contractual payment was recalculated and remain due in that month. And when Mr R didn't make a second (contractual) payment, negative information was reported on his credit file.

I can see that when Mr R telephoned Zopa on 23 January 2024 the agent explained why his manual payments made on 13 October 2023 and 15 January 2024 had been applied as lump sum additional payments. I can also see that the agent explained to Mr R that if he wasn't paying by direct debit, he would need to wait until his monthly payment had failed

before making a replacement payment, as Zopa was unable to accept payments made on or before the due date unless they were made by direct debit.

This service isn't a regulator, and we can't tell a business like Zopa to change its systems. Zopa has explained to Mr R what he needs to do going forwards if he wants to make manual payments. I'm satisfied – having reviewed the alternative options offered by Zopa – that these options are reasonable. Mr R can either make a manual payment the day after the due date (having regard to what Zopa has said about when 15th falls on a weekend or bank holiday) or he can set up a direct debit.

Mr R has made the point that he isn't obliged under the agreement to pay by direct debit and that's correct. So if Mr R wishes to continue making manual payments he needs to make them the day after the due date.

Mr R has also said that his credit file is still being impacted. He hasn't been specific about this so I'm not sure what information he's unhappy about. Based on what I've seen, Zopa has removed the negative information in relation to the October 2023 and January 2024 payments.

I can see from the information provided to this service by Zopa that March 2024 was recorded as a missed payment, because it didn't receive a payment to rectify the arrears before the end of the month. If Mr R wants this service to investigate his complaint about the March 2024 negative information, he will need to raise this as a separate complaint with Zopa first so they can investigate and issue a response.

In conclusion, and whilst I understand that this isn't the outcome that Mr R was hoping for, I haven't seen any evidence to suggest that Zopa has made an error or treated Mr R unfairly. I won't be asking Zopa to do anything further.

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 Mr R to accept or reject my decision before 6 November 2024.

Emma Davy
Ombudsman