

The complaint

Mr O complains Zopa Bank Limited (“Zopa”) hasn’t given him 8% simple interest despite upholding his irresponsible lending complaint.

What happened

In July 2022 Mr O was provided with a loan for £6,000.00 from Zopa. The loan was due to run for 48 months.

In 2024 Mr O complained that the loan was lent, but it was unaffordable for him. He asked for a refund of charges and interest plus 8% simple interest.

Zopa responded in September 2024 upholding Mr O’s complaint. They said they’d remove the interest from the loan and would ensure his credit file wasn’t affected. They explained that including interest, the total amount repayable was £8,916.03. As of November 2024, they’d received £4,517.87 in payments from Mr O.

Given they’d removed the interest, the remaining balance on the account was £1,482.13. They explained there was no refund owed because the capital hadn’t yet been repaid in full. Mr O remained unhappy with the response, so referred his complaint to our service in January 2025. He felt Zopa were unfair in not providing him with 8% simple interest. He said that redress is standard, and it would reflect the financial and emotional impact he’s experienced.

An Investigator here looked into things. They said Zopa had redressed the complaint in a way we would expect, in line with our approach and guidance on irresponsible lending complaints. So they wouldn’t be asking Zopa to do anything more.

Mr O remained unhappy. He disagreed with the Investigator and said he was financially disadvantaged by having to make repayments to Zopa, and the money was unavailable to him for other purposes. He said other complaints such as complaints about overdrafts are awarded 8% simple interest, so he believes it’s owed on this case too.

As an agreement couldn’t be reached, the complaint has been passed to me to decide.

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.

Mr O has made reference to other complaints he’s had – and because each individual complaint is considered on its own merit, I won’t be making any comment or reference to these.

I agree with the Investigator that Zopa hasn’t acted unfairly here. I appreciate that will be disappointing for Mr O, but I’ll explain why in more reasoning.

I note this case stems from Mr O's complaint to Zopa that he had been lent to irresponsibly when it provided him with a loan account. Zopa has upheld this part of Mr O's complaint, which Mr O agrees with. So, I don't intend to comment on this point in this decision.

What I'll be deciding here is if Zopa has done enough to put things right for Mr O, and I'm satisfied it has.

Our approach to complaints about irresponsible lending – and how to put things right on irresponsible lending complaints – is well documented. Our website sets out this approach and what we *may* ask a firm to do to put things right.

In most cases where credit has been provided where it shouldn't have been, it would be fair and reasonable for the lender to refund any interest and charges paid by the borrower. And, the borrower would usually be expected to repay any remaining amount of the money they had been lent. So, I'd expect the borrower to pay back the money they were lent, but not the interest. I can see that Zopa has agreed to refund any interest and charges applied to this loan, which is what I would have expected it to do. And I'm satisfied that in the circumstances of this complaint, Mr O should repay the capital amount he borrowed as he's had the benefit of the funds.

But Mr O also thinks he should receive 8% simple interest on top of this. However, I don't agree this is appropriate in this case and I'll explain why.

8% simple interest is generally only recommended where the borrower has paid more than they were required to do so when interest and charges are removed. What this means is, when the interest and charges are deducted from the overall amount owed, and then the payments already made are deducted from that balance, we'd think about if there is a credit balance (has the customer overpaid) or does a part of the debt still remain. In Mr O's case, a debt remains because hasn't paid more than the capital he borrowed (£6,000).

The purpose of an award of 8% simple interest in relation to an irresponsible lending complaint is to compensate a customer if they have been left out of pocket as a result of having paid the lender more than they should have. I have read Mr O's comments about why he thinks he has been out of pocket; in that he has experienced a loss of funds that were used to repay the loan and that he could've been using that money for other things. But in this case, as I've explained, Mr O hasn't paid more than the capital balance he owed. So, he isn't 'out of pocket' because he would have always been required to pay back the £6,000 he borrowed, which as of the date on Zopa's final response letter, he hadn't.

If Mr O had paid back more than the £6,000 he borrowed, then this Service might have considered it appropriate for Zopa to pay 8% simple interest on any amount he had overpaid by. But as I've explained, this hasn't happened in this case. And I'm satisfied that Zopa has fairly awarded redress to Mr O and in line with this Service's general approach.

I have noted Mr O's comments in that, the principle of putting the consumer back in the position they would have been in had the error not occurred should apply consistently across different credit products. I think what Mr O is referring to here is how the 8% simple interest is offered. But this doesn't change depending on product. It changes depending on whether the consumer has paid more than they should have, had interest and charges not been applied. And as I've explained, Mr O hasn't paid more than the capital he borrowed. And so I don't think it fair or reasonable to ask Zopa to pay this. This is consistent with how this Service would consider an award of 8% simple interest in any other type of lending product.

So based on the above, I'm not upholding Mr O's complaint against Zopa, and I won't be asking them to pay any additional interest or compensation to him.

My final decision

It's my final decision that Zopa Bank Limited treated Mr O fairly when refunding interest and charges on his loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 14 May 2025.

Meg Raymond
Ombudsman