

The complaint

Mr B complains that Zopa Bank Limited sold a disputed debt to a third party debt collection agency (DCA) resulting in inaccurate adverse information on his credit file.

What happened

On 19 August 2019, Mr B took out a two-year £6,000 loan from Zopa, for which he needed to repay £293 per month. Mr B says that, after an agreed Covid-related payment plan, Zopa withdrew an unauthorised direct debit in December 2020. Following this, Zopa registered a default on his credit file in February 2021. He says that Zopa admitted it made errors and, following pre-court letters, it removed the inaccurate data from his credit file. However, Mr B says, Zopa then sold the debt to a DCA and, in May 2022, this DCA registered a default, dated 1 Feb 2021. Mr B says the DCA removed the default when he complained, but that, on 6 May 2024, the data reappeared as the DCA said it had further information from Zopa.

In summary, Mr B says Zopa has provided contradictory information to himself and the DCA regarding the legitimacy of the default and the status of the account. He says that, although it offered to remove the default, it was conditional on him adhering to a payment plan.

Zopa says it agreed a six-month covid-related freeze for payments between April and June 2020 and August and October 2020. In July 2020, it says a three-month repayment plan of £170 per month was set up but, following July's payment, Mr B failed to pay in August and September 2020. It says it emailed Mr B in November 2020 to tell him the payment plan had ended and that monthly payments would resume on 20 December 2020. Zopa then says it phoned Mr B the following day to discuss his account and asked him to complete an income and expenditure form which he did. Mr B then called Zopa on 10 December 2020 and said he was happy for the contractual amounts to restart, but not until January 2021. Zopa says that it then explained to Mr B that if he missed four payments, his account would default.

Zopa acknowledged that Mr B was below the necessary threshold for a default in February 2021. It offered to remove it but explained that he'd need to make the March payment and resume contractual payments from April, as well as engage in discussions about repayment of arrears. Although it didn't accept Mr B's proposal for a restructured loan, or a £900 credit, it did offer to apply December 2020's payment to cover March 2021 with an agreement to return to contractual payments thereafter, alongside a payment plan for arrears.

Our investigator recommended the complaint should be upheld in part. He considered the default had been fairly applied, but recommended compensation of £75 for the direct debit that was taken in error.

Zopa accepted our investigator's findings.

Mr B responded to say, in summary, that Zopa refused further payments and registered a default without valid notice. He says, although it offered to remove the default, it was only on the condition that he entered into a new payment plan. Mr B said such an approach was unlawful and inappropriate, especially as Zopa refused a payment offer he'd made in February 2021. Mr B added that Zopa also failed to respond to his court letter in May 2021. He estimated his financial impact may exceed £80,000.

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.

Firstly, I am aware that Mr B has also submitted a complaint about the DCA and, as such, this decision will only consider the circumstances concerning Zopa and its actions.

With regard to the payment holiday in 2020, I'm satisfied that Zopa responded appropriately by offering the payment holiday and agreeing to a three-month reduced payment plan. I acknowledge that Mr B only paid one of the three £170 payments, but it has now been established that he was unaware the payments scheduled for August and September needed to be made manually. So, given that July's payment was the only one received since March 2020, I don't find it unreasonable that Zopa contacted Mr B in November to say contractual payments would resume the following month.

It is not in dispute that Mr B asked for payments to restart in January 2021 instead, but that Zopa went ahead and took a payment in December. Zopa accepted it had made a mistake in that respect and has now agreed to pay Mr B £75 for this which I find to be fair and reasonable.

Nevertheless, following the December payment, Mr B told Zopa during a call in January that he had cancelled his direct debit. Zopa told Mr B that if he missed payments in January 2021 and February 2021, his account would be defaulted. This is what happened, although Zopa now accepts that Mr B's arrears hadn't reached the required threshold for a default to be applied.

Mr B also says he attempted to make a payment in February 2021, but that Zopa refused to accept his payment. I have seen evidence that Zopa did attempt to take a payment in February 2021, but that the direct debit failed. It says it has no record of any conversations with Mr B throughout February 2021 until 10 March 2021 when it spoke to him about the status of the account.

In response to Mr B's complaint, in April 2021, Zopa offered to remove the default from Mr B's account if he agreed to make March's payment and continue with payments from April 2021. Mr B asked Zopa to restructure the loan to enable lower payments, but Zopa explained it could not do this and also turned down his request for £900 to cover his losses. Instead, on 15 April 2021, Zopa said it could apply December's mistaken payment to March 2021 with a view to resuming contractual payments in April 2021 and discussing a payment plan for the arrears.

Zopa says Mr B did not respond to this offer. However, I've seen evidence that Mr B then began pre-court action four weeks later. He says he didn't pursue this as Zopa then removed the default from his account.

Zopa says it did not remove the default, but it stopped reporting the account to the credit reference agencies following the transfer to a DCA. This is standard practice when an account is sold on and I can see from Mr B's credit report, dated December 2021, that Zopa does not appear on there.

Nevertheless, the account did not show as defaulted again until the DCA reported it as such in May 2022, with a default date of February 2021. I have considered whether that is a fair reflection of how Mr B had managed his account, and I find that it is. I consider Zopa acted fairly by offering to remove the default if Mr B made certain payments. I acknowledge that Mr B and Zopa both accept the default was applied prematurely, but without further payments, the account would have defaulted correctly anyway. I don't find it was unreasonable for Zopa to have left the default on the account, rather than amend the credit file only to reapply the default when further payments were missed.

Ultimately, I can't see that Mr B has made any payments to the loan account since December 2020, so it's not unreasonable that it should show as defaulted on his credit file. I accept that the default date of February 2021 was earlier than it should have been but changing that to a later date would be detrimental to Mr B as a default stays on a credit file for six years.

My final decision

My decision is that I uphold this complaint in part. Zopa Bank Limited should pay Mr B £75 for the direct debit it took in error, as it has agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 June 2025.

Amanda Williams
Ombudsman