

The complaint

Miss B is unhappy that Zopa Bank Limited haven't been administering her loan in accordance with the terms of the loan agreement regarding additional payments that she's made.

What happened

In November 2023, Miss B successfully applied to Zopa for a personal loan. The terms of the loan included that if Miss B made additional payments to reduce the loan balance, alongside and in addition to the contractually required monthly payment amount, the term of the loan would remain the same, but Zopa would recalculate the loan and reduce the monthly contractual payment amount moving forwards.

Miss B then made several additional payments to the loan, alongside the contractually required monthly payments, but found that Zopa weren't administering the loan in accordance with the loan terms surrounding those additional payments. So, she raised a complaint. Zopa responded to Miss B but didn't feel that they'd made any mistakes. Miss B wasn't satisfied with Zopa's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. They felt that Zopa hadn't administered the loan in accordance with the terms of the loan surrounding additional payments and said that Zopa should pay £100 compensation to Miss B because of this. Miss B didn't feel that our investigator's view went far enough to resolve her complaint, so the matter was escalated to an ombudsman for a final decision.

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 issued a provisional decision on this complaint on 9 June 2025 as follows:

I've raised several concerns with Zopa about how they've calculated Miss B's loan, and Zopa have maintained the position that they don't feel that they've done anything wrong. As such, I asked Zopa to provide a detailed calculation for the loan, and having reviewed this loan I'm satisfied that it clearly shows that Zopa haven't administered Miss B's loan fairly or in accordance with the terms of that loan.

The relevant clause of the loan agreement is clause 3, titled 'Early Repayment', which states as follows:

"You can make payments at any time to reduce some or all of the loan early... If you make a partial repayment the term of your loan will stay the same, but the amount of your monthly repayment will reduce. We'll tell you the new repayment amount."

I feel that it's clear from this clause that the terms of Miss B's loan include that if she makes additional payments to the loan, alongside and in addition to the contractual monthly

payments required by the loan agreement, that Zopa are obliged to recalculate Miss B's future contractual monthly payments, in consideration of the reduced loan balance resultant from the additional payments, over the remaining term of the loan. And with this in mind, it stands to reason that any additional payments that Miss B makes must necessarily result in a reduction of her future contractual monthly payments.

The calculation and loan agreement for Miss B's loan show that the loan was formed on 17 November 2023 with a principal balance of £17,000 and front-loaded interest of £4,837.95, such that the initial total balance outstanding was £21,837.95. The term of the loan was 36 months.

Miss B made the first contractual payment to her loan on 21 December 2023 and made a second payment on 18 January 2024. Her contractual payment at that time was £583.86, although this may have been affected by a change in monthly payment date that Zopa record as having taken place on the loan earlier in January 2024.

Over the next two days – 19 and 20 January – Miss B made two £50 additional payments, and on the loan calculation provided by Zopa these additional payments by Miss B were recognised as such by Zopa and led to an adjustment to the outstanding balance of the loan. However, when Miss B's next contractual monthly payment was taken by direct debit, which took place on 20 February, the payment amount was £588.50. However, as alluded to above, I'm willing to accept that this apparent discrepancy was likely a result of the date-of-payment change that took place the previous month, which slightly reduced the total number of days for which the 18 January payment applied.

Miss B next made an additional payment 19 March, of £100, which was again recognised as an additional payment by Zopa and which led to the contractual monthly payment amount being reduced, to £572.28, which Miss B paid by direct debit on 16 April. However, on 18 April, Miss B made a further additional payment of £50. And although this payment was recognised as an additional payment by Zopa, the contractual monthly payment made by Miss B on 16 May went up slightly, to £578.08 - which shouldn't have been the case.

Miss B then made a further £100 additional payment on 17 May, which was again recognised as such by Zopa, but strangely this resulted in Miss B's next contractual monthly payment, made on 18 June, to increase to £588.94. And again, given that the payment of additional amounts should necessarily lead to a reduction in subsequent scheduled monthly payments, it's difficult not to conclude that this increased monthly payment amount was a mistake.

Zopa may have recognised this point themselves, because following a further £100 additional payment that Miss B made on 19 June, the contractual payment amount taken on 16 July did reduce to £565.81. But confusingly, when Miss B then paid a further £100 additional payment on 17 July, the contractual payment amount taken on 16 August increased to £576.21.

In summary, for the period November 2023 to August 2024, Miss B made additional lump sum payments in six separate months, all of which should have resulted in her ongoing contractual monthly payment being reduced. However, what actually happened was that for four of those six months that Miss B made additional payments, the next contractual payment taken on the loan was of a higher amount than the payment amount taken before Miss B made the additional payments. Clearly, this cannot be correct.

Furthermore, while Miss B continued to make additional payments to the loan after July 2024 - in September, October, and November - the loan calculation provided by Zopa shows that they failed to recognise these payments as additional payments. This meant that when, for

instance, Miss B made a £50 additional payment on 2 September, Zopa didn't take the full contractual payment amount - which had inexplicably risen once again, to £588.70 - but instead reduced the amount they took for that contractual payment by £50, thus treating Miss B's additional payment as a partial contribution to the scheduled monthly payment amount and not as an additional payment - in clear contravention to the terms of the loan.

Similar mistakes were made by Zopa regarding the additional lump sum payments made by Miss B in October and November 2024, after which time, frustrated by Zopa's misadministration of her loan, Miss B stopped making additional payments.

I can appreciate Miss B's frustrations in this regard, and I'll be provisionally upholding Miss B's complaint on the basis that Zopa appear to have administered Miss B's loan unfairly in two different ways - regarding how they calculated the loan in light of the additional payments Miss B made to the loan up until July 2024, and by not recognising that Miss B was making additional payments from that time onwards.

Zopa responded to my provisional decision and provided a more detailed explanation of Miss B's loan calculation and how it conforms to the terms and conditions of the loan. This led me to issue an updated provisional decision on 15 July as follows:

Having considered Zopa's explanation, I'm satisfied that they have calculated Miss B's loan correctly in regard to all the additional payments that Miss B made.

I'll arrange for Zopa's detailed explanation to be provided to Miss B, so that she can see exactly how each additional payment that she's made has been treated. But, in short, the key factor here is the timing of the additional payments that Miss B made. This is because Zopa allocate the additional payments that Miss B made in accordance with clause 2.7 of the loan terms, which reads as follows:

"...Any additional payments made... will be used: i) first to pay any interest that has accrued under the loan contract to that date; and ii) then to reduce the principle balance under the loan contract."

Importantly, interest accrues on the loan on a daily basis, with the accrued interest for that month being cleared by each scheduled monthly loan payment. This means that if Miss B were to make an additional payment the day after her scheduled monthly payment was taken, there would only be one days' worth of accrued interest to be cleared, so that the majority of any additional payment amount she made would first clear that one day of accrued interest, with the remaining amount then being used to reduce the outstanding capital balance of the loan.

Conversely, if Miss B made an additional payment 25 days after her scheduled monthly payment had been made, then 25 days' worth of interest would have accrued. Given the balance of Miss B's loan at the time in question, 25 days' worth of accrued interest is a not inconsiderable amount, and would likely be in excess of £100.

As such, if Miss B made a £100 additional payment the day after her scheduled monthly loan payment had been made, the majority of that payment would end up being used to reduce the outstanding capital balance of the loan, and her future loan payments would reduce accordingly.. But if she made the same additional payment 25 days after the scheduled monthly payment, none of that payment amount would be used to reduce the outstanding capital balance – only the accrued interest to date would be cleared – and so her future loan payments would not be reduced.

Zopa have said that clause 2.7 of their terms does not contradict clause 3 of their terms, which reads as follows:

...“If you make a partial repayment the term of your loan will stay the same, but the amount of your monthly payment will reduce...”

I’m not in agreement with Zopa on this point, and I feel that, at best, the two clauses are confusing, given that clause 3 states that partial repayments will lead to a reduction in future payment amounts, while clause 2.7 details a payment allocation mechanism which means that this might not be the case.

It’s also notable that clause 3 is the sole clause under the heading, ‘Early Repayment’. And so I can understand why Miss B might have believed that any and all additional payments that she made would have resulted in a reduction of future monthly payment amounts.

Accordingly, while I now understand how Zopa have calculated Miss B’s loan, I don’t feel that Zopa have acted fairly towards Miss B in regard the clarity of information they provided to her about how they would administer additional payments that she might make to her loan.

Zopa have a duty to consumers to provide information about their products in a way that is clear and which enables consumers to make informed decisions. I don’t feel that Zopa have acted fairly in this regard in this instance. And given that it seems clear that Miss B’s intention in making the additional payments was to reduce the outstanding balance of her loan and to consequently bring about a reduction of the future payment amounts, I feel that if Zopa had been clear in the information they presented to Miss B, that she would have arranged for her additional payments to have been made at the optimal time – i.e. the day after the scheduled monthly payment had been taken.

Furthermore, when Miss B contacted Zopa by online messaging, Zopa’s agent failed to provide correct clarifying information to Miss B but instead incorrectly said that additional payments don’t result in any reduction of future payment amounts, in direct contradiction to the terms of the loan.

Accordingly, my provisional decision here remains that I uphold this complaint in Miss B’s favour. But my provisional instructions to Zopa are now as follows:

- Zopa must recalculate Miss B’s loan so as to consider all additional payments that she’s made to the loan as having taken place the day after the previously made scheduled monthly loan payment was taken. All payment date amendments must be brought forwards, to the day after the prior loan payment, and must not be pushed backwards, to the day after the next loan payment.*
- Any overpayments that Miss B is deemed to have made following the recalculation must be returned to Miss B along with 8% simple interest from the date of the overpayment to the date of the reimbursement back to Miss B.*
- Amend the credit file reporting for this loan accordingly, if necessary, to ensure that it is accurate following the loan recalculation.*
- Zopa must also pay £300 to Miss B as compensation for the trouble and upset that she’s incurred surrounding this matter.*

Miss B responded to my provisional decision and confirmed that she was in acceptance of it. Zopa also responded and raised several concerns about their ability to comply with my provisional decision, including that they felt it would be unreasonable for me to expect them to try to build a tool to enable them to complete the recalculation as I've instructed.

Upon review, my position on this complaint remains as I've described it in my provisional decision. Regarding the difficulties Zopa have mentioned, what I'm instructing here is a loan recalculation. This is something that can be conducted manually, with the appropriate credit then being applied to Miss B's account, and as such there may not be a need for Zopa to build a recalculation tool as they suggest. Ultimately however, I leave it to Zopa to overcome any difficulties they may face in this regard. I also confirm that it would be for Miss B to ensure that she makes any overpayments that she might wish to make moving forwards on the optimal date – although Zopa should confirm to Miss B what this optimal date is.

Zopa also explained that there would be no overpayments to the loan. However, if it's the case that a payment that Miss B would have made on the optimal date would have reduced future payments by 'X' amount, but in fact she paid 'X plus £3' (because she didn't make the overpayment on the optimal date, which meant that future payments weren't reduced by the optimal amount), then there will have been an overpayment of £3 for that month. These are the overpayments I refer to, and they may potentially have occurred on every payment, likely with compounding effect. However, I acknowledge that these overpayments may be relatively small, and Miss B can, at her discretion, give her consent to allow these overpayments to remain paid.

Zopa also asked about my provisional instruction to amend credit file reporting. To confirm, I understand that there are no late payment markers being reported, and my instruction in this regard is just to ensure that the account balance is being reported correctly.

Finally, I confirm to Zopa that I'm not instructing them to conduct their business in a specific way, which wouldn't be something this service has the remit, authority, or inclination to do. What I am instructing Zopa to do is place Miss B's account into what I feel is a fair position here, given the circumstances of this complaint. This is within the remit and authority of this service, although its understand and acknowledged that how Zopa choose to move forwards operationally after this decision is entirely up to them.

Putting things right

Zopa must recalculate Miss B's loan so as to consider all additional payments that she's made to the loan as having taken place the day after the previously made scheduled monthly loan payment was taken. All payment date amendments must be brought forwards, to the day after the prior loan payment, and must not be pushed backwards, to the day after the next loan payment.

Any overpayments that Miss B is deemed to have made following the recalculation must be returned to Miss B along with 8% simple interest from the date of the overpayment to the date of the reimbursement back to Miss B.

Amend the credit file reporting for this loan accordingly, if necessary, to ensure that it's accurate following the loan recalculation.

Zopa must also pay £300 to Miss B as compensation for the trouble and upset that she's incurred surrounding this matter.

My final decision

My final decision is that I uphold this complaint against Zopa Bank Limited on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 27 August 2025.

Paul Cooper
Ombudsman