

The complaint

Mr B complains that Zopa Bank Limited did not refund a Direct Debit taken from his Zopa current account in error.

What happened

Mr B had a loan with Zopa. On 8 April 2025 he contacted Zopa to change the account his monthly loan repayment came from. The new account was a Zopa current account.

Mr B was told that a new Direct Debit mandate would not be in place in time and the next payment, due on 14 April 2025, would still be taken from his old account. He was expecting the first payment from his Zopa account to be on 14 May 2025.

On 14 April 2025, the loan payment was taken from his Zopa current account. Mr B explains that in anticipation of the risk of a late payment or impact to his credit file, he'd already moved funds into his Zopa current account to cover this possibility. He contacted Zopa and asked for the incorrect Direct Debit to be refunded immediately under the Direct Debit Guarantee.

In its final response, Zopa agreed the Direct Debit was taken from Mr B's new bank details earlier than expected. But Zopa said it was unable to refund the payment because it had already been applied to the loan and reversing or refunding it would put the loan into arrears. Zopa offered Mr B £50 compensation to apologise for the issues he'd experienced.

Mr B referred the complaint to this service. He said the Direct Debit Guarantee is a clear and strict set of rules designed to ensure immediate consumer protection when mistakes like this occur. He said Zopa should pay compensation of at least £400 reflecting the stress, wasted time and seriousness of its breach as ignoring a guarantee undermines the whole system and needs to be taken seriously.

One of our Investigators considered the complaint but did not recommend it should be upheld. He said the contractual payment towards the loan for April 2025 was due, and there was no evidence to suggest Mr B had made duplicate payments or that there had been any negative impact on his loan account because of the issue with the account details. He felt the £50 compensation Zopa had offered was fair.

Mr B didn't agree. He said the Direct Debit Guarantee was clearly applicable and this outcome provided an undue financial advantage to Zopa. He explained that Zopa was saving itself an interest loss and possible late payment charges that would have otherwise had to have been waived, which conflicts with the principle of fairness and impartiality. He said the £50 compensation offered does not go far enough because he's experienced severe and lasting distress. He explained he's lost trust in Direct Debit processes and in financial institutions.

As no agreement could be reached, the complaint has been referred 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.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time. I agree that the Direct Debit Guarantee is a relevant industry protection when a mistake is made with a Direct Debit payment, and I also agree that it includes a full and immediate refund in some circumstances.

But as an Ombudsman, it is open to me to determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case. In the specific circumstances of this case, I don't think it was unfair of Zopa to refuse to refund Mr B under the Direct Debit Guarantee.

I appreciate Mr B will be very disappointed with my position. It's clear he considers Zopa to be technically in the wrong. But I don't consider Zopa's actions have led to an unfair outcome for him.

Mr B was always expecting to pay that amount to his loan, on that day, but from a different account. I've looked carefully at the transaction history for his loan account and Mr B did not pay the April 2025 loan repayment twice.

When making his complaint to us, Mr B said that he was extremely worried about the potential for a missed loan payment, late fees or impact to his credit file which is why he'd moved funds into his Zopa current account in anticipation of something going wrong. Against this backdrop, it is unclear to me why Mr B maintains that an immediate refund under the Direct Debit Guarantee scheme would have been a desirable next step to take.

If Zopa had refunded Mr B like he wanted, Zopa's loan department would then have needed to reimburse the money Zopa's current account department had paid back to Mr B. The way to achieve this would have been by debiting Mr B's loan account. Doing so would have had implications for Mr B. He would have still owed Zopa the April 2025 repayment. Debiting the loan may have resulted in the April 2025 payment to the loan being recorded as missed or late, additional interest may have been incurred as interest on the borrowing would be charged daily, it is also possible a late payment fee could have been applied.

Mr B considers that Zopa would have always been responsible for putting right any losses that occurred as a direct result of the mistake, and the Direct Debit Guarantee must be adhered to when it is applicable. But I consider Zopa's actions by taking a more holistic view of the situation show that it was acting in good faith towards Mr B. The bank's decision to not raise a claim in these circumstances averted the potential for any adverse consequences on the loan account and prevented Mr B from needing to arrange to make the payment another way.

I acknowledge the situation may well have been worse if Mr B didn't have the funds available in his Zopa account to make the payment, but I am unable to award compensation for potential consequences that were not realised. As such, I consider the £50 compensation Zopa offered in its final response was an appropriate way to recognise that a mistake had been made, but fortunately its impact on Mr B was limited. For the reasons I've explained, I don't agree Zopa has treated Mr B unfairly by not handling the situation the way he wanted. I consider the better outcome for both Mr B and Zopa was to leave the error to lie where it fell, and I can't fairly criticise Zopa for taking that pragmatic course of action.

My final decision

Zopa Bank Limited has already made an offer to pay £50 compensation to settle the complaint, and I think this offer is fair in all the circumstances, so my decision is that Zopa Bank Limited should pay this compensation now if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 December 2025.

Claire Marsh
Ombudsman