

The complaint

Miss R is unhappy that Zopa Bank Limited defaulted a personal loan she had with them.

What happened

In April 2023, Miss R took out a personal loan with Zopa. The agreement was for £14,000, with 48 monthly payments of £425.10. Miss R fell into financial difficulties, and, in June 2024, the account fell into arrears. Miss R entered into a payment plan with Zopa for three payments of £10, after which Miss R needed to contact Zopa to discuss her situation.

Miss R made the agreed £10 payments on 29 August, 26 September, and 11 October 2024. On 12 October 2024, Zopa emailed Miss R (at the email address they had on file for her) to ask her to contact them to discuss the next steps. And, on 19 October 2024, they issued a Default Notice. This gave Miss R until 18 November 2024 to clear the arrears on the account, otherwise the agreement would be terminated and a default registered.

Miss R contacted Zopa on 11 November 2024. She said she'd not received either the email of 12 October 2024, or the Default Notice. Zopa explained that Miss R would need to reduce the arrears to avoid the default and set up a repayment plan. Miss R advised that, while she could resume the contractual payments, she wasn't able to pay a lump sum off the arrears. Miss R also raised a complaint that she hadn't been advised of the possibility of a default.

Zopa sent their complaint response letter on 21 November 2024. This explained they weren't upholding Miss R's complaint and said that, as she was almost seven months in arrears, they felt they were acting reasonably in defaulting the account. However, they advised Miss R that, if she could reduce the arrears below three months they could stop the default process. Miss R didn't reduce the arrears and the account defaulted on 24 November 2024.

Unhappy with what had happened, Miss R brought her complaint to the Financial Ombudsman Service for investigation.

Our investigator said that Zopa had been in contact with Miss R through the email and postal addresses they had on file for her, and Miss R had confirmed these were correct (although she used multiple email addresses). So, they didn't think Zopa had done anything wrong in the way they contacted Miss R.

The investigator also said that, due to the amount of arrears, Zopa acted reasonably by defaulting the agreement. And, while Miss R had subsequently said that she would've been able to borrow the money to clear the arrears, Zopa have a responsibility to ensure that any arrangements were suitable and sustainable over the long term. So, had Miss R made them aware of her intention to take additional borrowing to clear the arrears, it's likely Zopa wouldn't have been satisfied by this. And the investigator didn't think Zopa needed to remove the default.

Miss R didn't agree with the investigator's opinion. She said that Zopa never advised her the payment plan was for three payments only, or that paying the third payment earlier than agreed would've triggered a default. So, she didn't think Zopa had treated her fairly.

Miss R also said that she never received any notification of a potential default, and she felt that Zopa should've called her to discuss the situation rather than relying on post and email. She said that, on a call dated 11 November 2024, Zopa never told her that her agreement was about to default and she believed she *"could place the outstanding balance on a long-term payment plan for as little as £1 [a month] in addition to my regular repayments."* So, she thought that Zopa had treated her unfairly.

Finally, Miss R also raised issues about how Zopa had dealt with her complaint.

Because Miss R didn't agree with the investigator's opinion, this matter 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Miss R had a personal loan with Zopa. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

Before I explain why I've reached my decision, I think it's extremely important for me to set out exactly what I've been able to consider here. I note Miss R has commented about how Zopa handled and responded to her complaint. However, complaint handling is an unregulated activity and so, falls outside of our service's jurisdiction to consider. So, the way Zopa handled Miss R's complaint hasn't been considered as part of my decision.

I've reviewed the payment history for the agreement Miss R held with Zopa. She made all the payments from 14 May 2023 until 14 April 2024 without issue. The regular payments for 14 May and 14 June 2024 weren't paid, but Miss R made an agreed payment of £10 on 1 July 2024. The regular payments for 14 July and 14 August were also missed, with Miss R making a further agreed payment of £10 on 29 August 2024. And, although the agreed £10 payments were made on 26 September and 11 October 2024, the regular payments for 14 September and 14 October 2024 weren't made. As such, by 14 October 2024, Miss R was almost six months in arrears.

The guidelines for defaulting an account are that the default should generally be recorded when an account is between three and six months in arrears. And this is not affected by any repayment plan that is put in place – it's perfectly possible for a default to be issued when there is a payment arrangement in place. So, based on these guidelines, I would have expected Zopa to record a default sometime between when the 14 August payment was missed and when the 14 November payment was missed.

I've seen that Zopa contacted Miss R by email on 12 October 2024. This confirmed that her payment arrangement had come to an end and that her arrears stood at £2,085.49. They explained they would need to reassess her circumstances and asked her to contact them.

They also said that *“it may be necessary to default your loan.”* This was sent to the contact email address Miss R had supplied to Zopa and, while this wasn't the main email address she used, Miss R has confirmed that this was still a valid email address she had access to.

While I appreciate that Miss R didn't see this email, it doesn't mean it wasn't sent, or that Zopa acted unreasonably by contacting Miss R by email instead of calling her. And, as Miss R didn't contact Zopa, a Default Notice was sent to her on 19 October 2024. In line with legal requirements, this was sent by post to the address Zopa held for Miss R, which again has been confirmed to be Miss R's correct address.

Miss R has said she believed she had an ongoing payment plan of £10 with Zopa, and not one that finished after three months. If that was the case, I would've expected to see Miss R making another £10 payment on or before 10 November 2024 (the agreed payment date was the 10th of each month), but no payment was made. Instead, Miss R called Zopa on 11 November 2024 to discuss her account.

I've listened to that call, which lasted more than two hours. During the call Miss R confirmed she was aware that the payment plan had been set from 5 August to 1 November 2024, for three monthly payments of £10, and she was calling them as arranged to discuss her account. Based on what Miss R confirmed in the call, I'm satisfied that she was aware the payment plan was for a limited period.

During the call, Zopa advised Miss R that the Default Notice had been sent, but she said this had been sent in error and needed to be stopped. However, Zopa explained that the default could only be stopped if the arrears were reduced to the equivalent of three-monthly payments (or less). And, if this didn't happen, the default process would continue. While Miss R had said that she could resume the contractual monthly payments, plus pay a nominal amount each month to reduce the arrears balance, Zopa again advised Miss R that they could only accept this if the arrears balance was reduced. Otherwise, the default process would continue.

Miss R raised a complaint about the Default Notice of 19 October 2024 being issued in error, and Zopa agreed to take no further collection action while this complaint was being investigated. I've seen that Miss R referred to a previous call she had with Zopa where her payment plan was cancelled in error (rather than changing the date on which the agreed reduced payment was due by). She says she was told during this call that a Default Notice had been issued in error, and she was told the default process would be stopped.

As I've stated above, Miss R made four payments of £10, the first of these being made on 1 July 2024. The evidence also shows that Zopa issued a default notice on 5 August 2024, the day the payment plan was agreed, but this didn't result in their default process being followed. As such, I'm satisfied the call Miss R has referred to in the call of 11 November 2024 related to a call she made to Zopa on 5 August 2024 – this resulted in the payment arrangement being reset for three further payments of £10 and a Default Notice being issued and not followed up on. Therefore, I'm satisfied that the Default Notice of 19 October 2024 *was not* sent in error and was sent because of the level of arrears on Miss R's account following the expiry of her payment plan (and not because she paid the final £10 payment before the agreed payment date).

In the call Miss R also raised the issue that Zopa said they wouldn't default her while she was in a payment plan (even though they were within their rights to do this). However, as the payment plan ended when Miss R made the payment on 11 October 2024, before the Default Notice was sent, and as Miss R was reasonably aware the plan had ended, I'm also satisfied that Zopa didn't start the default process while Miss R was within the payment plan.

Zopa had agreed to take no further collections action on Miss R's account until her complaint was resolved. This happened on 21 November 2024, and Zopa didn't default the agreement until 24 November 2024. So, again, I can't say that Zopa have taken any actions they told Miss R that they wouldn't.

Therefore, and while I appreciate this will come as a disappointment to Miss R, I'm satisfied that Zopa acted reasonably by defaulting her agreement when they did. And I won't be asking them to do anything more.

My final decision

For the reasons explained, I don't uphold Miss R's complaint about Zopa Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 19 November 2025.

Andrew Burford
Ombudsman