

## **The complaint**

Mr M complains that Zopa Bank Limited defaulted his loan account whilst he was in a payment arrangement.

## **What happened**

On 22 April 2023 Mr M took out a loan with Zopa for £10,500. The contractual monthly repayments were £282.32.

In 2024 the account fell into arrears. Mr M agreed a repayment plan and made payments but in February 2025 Zopa defaulted the account.

Mr M complained to Zopa. He said he hadn't missed any payments under the payment arrangement and he hadn't been made aware that Zopa could default the account whilst he was in a payment arrangement.

Zopa didn't uphold the complaint. In its final response it said it had issued a Notice of Default prior to agreeing a payment plan on 6 January 2025 to pay £40 per month for 3 months on one loan whilst Mr M continued to make the monthly contractual payments on his other loan. Zopa said that as the agreement of the payment plan was made after a Notice of Default was issued and because the arrears on the account hadn't been reduced, the account had been defaulted on 7 February 2025. Zopa said the default had been correctly applied, but it acknowledged that it could've provided better service to Mr M and offered a goodwill payment of £50.

Mr M wasn't happy with the response and brought his complaint to this service.

Our investigator upheld the complaint. They said that because Zopa didn't default the account until February 2025 which was around 10 months after Mr M was first unable to make his contractual payments, the default should be backdated to August 2024. The investigator also said that further compensation of £50 should be paid to Mr M to reflect the fact that the payment plan shouldn't have been set up on 6 January 2025 and that incorrect information was provided to Mr S, and that he hadn't been told that his account was being passed to a third party.

Mr M didn't agree. He said he didn't think the default was fair because he hadn't been given sufficient warning or reasonable opportunity to pay the arrears before the default was applied. Mr M said that Zopa had led him to believe that they were happy with the payment arrangement. Mr M said he wanted the default removed from his credit file.

Because Mr M didn't agree I've been asked to review the complaint.

## **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've read and considered the whole file, but I'll concentrate my comments on those points

which are most relevant to my decision. If I don't comment on a particular point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I've reviewed the history of the account. I can see that the account started to accrue arrears from May 2024. The account was defaulted in February 2025. The ICO guidelines state that lenders can default an account when it has reached three months of arrears and that it should default an account once six months arrears have accrued. In this case, there were ten months of arrears at the point when the account was defaulted. Arguably the account should have been defaulted sooner. I'll come on to discuss this again later on in this decision.

I can see that Mr M had agreed a payment plan to pay less than the contractual monthly amount. This meant that arrears continued to accrue even though Mr M was making the agreed payments. The existence of a payment plan doesn't prevent a lender from defaulting an account.

Mr M has said that he wasn't made aware that the account could be defaulted whilst he was in a payment plan. I've reviewed the correspondence that Zopa sent to Mr M. This explained that the account was in arrears, and that the account could be defaulted, which could impact his credit file. I haven't seen anything to suggest that Zopa advised Mr M that his account wouldn't be defaulted whilst he was in a payment plan. I appreciate that Mr M has assumed this, but there's no evidence to suggest that Zopa said this.

Mr M has said that the payment arrangement – insofar as this was an agreement to pay less than the contractual monthly payment – was agreed between him and Zopa. He's said that the payments weren't based on what was affordable and that he could have paid more if required, including paying more than the contractual monthly payment. This service asked Mr M to provide copies of his bank statements for the period July 2024 to February 2025. I've reviewed these. I can see that Mr M was receiving income, however, I can't see that he paid the contractual monthly payment during this time, nor do there appear to be sufficient funds to clear the arrears.

Mr M has said that he hadn't been given notice that the account was going to be defaulted, and that he wasn't given a reasonable opportunity to pay the arrears to stop the account from defaulting. He's said that he didn't receive the default notice. I've reviewed the default notice dated 3 January 2025. This is correctly addressed to Mr M at his registered address. The system notes show that it was sent to Mr M by post. I can't say why Mr M didn't receive it, but there's no evidence of an error by Zopa.

In the period prior to the Default Notice being issued, Zopa sent several letters to Mr M advising him of the arrears on the account. So, I'm satisfied that Mr M was aware of the increasing arrears and of the possibility that the account could default.

I can see that Mr M spoke to Zopa on 6 January 2025. Mr M told the advisor that he was unable to clear the arrears before the deadline of 2 February 2025. Mr M asked the advisor if the account would default. The advisor explained to Mr M that if he resumed contractual payments the arrears wouldn't increase, and that if he had less than four missed payments below the contractual amount the account wouldn't default. The advisor didn't advise Mr M that the account wouldn't default if he agreed a further payment arrangement for less than the contractual amount. Mr M had a month to bring the account up to date before the default deadline. So, although Mr M has said that he didn't receive the Default Notice, I'm satisfied that he was aware of the deadline from the conversation on 6 January 2025 and that he had a reasonable period of time to pay the arrears.

Based on what I've seen, I'm satisfied that Zopa took reasonable steps to bring the arrears to Mr M's attention. I'm also satisfied that Zopa acted fairly when it defaulted the account. That said, I think the account should've been defaulted sooner. I've referenced the ICO guidelines above. The account should've been defaulted between three and six months of arrears. I'm in agreement with the investigator that the default should be backdated to August 2024, which is the point at which the account had been in arrears for three months.

In relation to the customer service aspects of this complaint, Zopa has acknowledged that it shouldn't have set up a payment plan during the call on 6 January 2025 because the Default Notice had already been issued. I don't think the payment plan made any practical difference or disadvantaged Mr M, because he wasn't able to pay the arrears by the deadline. So the account would've defaulted in any event. Notwithstanding this, I think Zopa caused confusion for Mr M when it set up the payment plan in January 2026.

I also think Zopa could've given notification to Mr M that it was passing the account to a third party. Mr M found out about this via a text, which I appreciate must've been distressing. That's not to say that Zopa has done anything wrong by passing the account to a third party – the terms and conditions of the loan agreement allow this – but I think Zopa could've explained in advance to Mr M that this was going to happen. I haven't seen any evidence that they did this.

I'm therefore in agreement with the investigator that the compensation for customer service issues should be increased.

### **Putting things right**

To put things right Zopa Bank Limited must:

Backdate the default to 1 August 2024

Pay further compensation of £50 to Mr M

### **My final decision**

My final decision is that I uphold the complaint, Zopa Bank Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 April 2026.

Emma Davy  
**Ombudsman**