

complaint

Mr T complains about the actions of Zopa Limited in respect of a loan he took out in 2014.

background

Mr T took out a loan of £20,360 with Zopa in March 2014 at an APR of 7.5%. It was repayable over 5 years with monthly repayments set in the region of £398.

In December 2018 Mr T complained to Zopa. He said that it had unfairly registered a default on the account in February 2016 and passed the account between itself and debt collection companies. He also feels Zopa didn't sufficiently help him when he told it he was struggling to make payments in September 2015.

To put things right Mr T asked Zopa to pay him compensation for the stress he'd been caused by its poor practices. He also asked that any charges it had applied to his account be refunded, and the default removed.

Zopa felt it had treated Mr T fairly. So he brought his complaint to our service. He says these issues have had a huge impact on his work and ability to apply for jobs. And he doesn't think Zopa should have given him the loan at all. He's explained he was gambling heavily at the time he applied for the loan, but says Zopa didn't look at his bank statements before approving his application.

Our investigator didn't find that Zopa had made an error. He thought it had carried out appropriate checks before giving Mr T the loan. And that it had offered him suitable options when he'd let it know of his financial difficulties. He said Zopa was within its rights to sell the debt or have a third party agency act on its behalf. And that it had a responsibility to provide accurate information to credit agencies.

Mr T didn't agree with this view. So the case has been passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I know Mr T will be disappointed but I've reached the same conclusions as our investigator did here. I'll explain why.

irresponsible lending

There's no set list of checks a business has to make before approving a loan application. But it's expected to carry out reasonable and proportionate checks to see if the lending is affordable for the applicant. What is reasonable and proportionate depends, amongst other things, on; the size of the loan, the cost of the repayments, the applicants lending history, and what the business already knew about the applicant.

Zopa has shown us that when it extended this loan to Mr T it calculated his disposable income and looked at his level of unsecured debt. It also considered his repayment history on previous loans he'd had with it, which I can see was very good. And it took into account the fact Mr T had advised the loan would be used to consolidate some existing debts. It felt his history of credit supported a loan of this size. Like our investigator, I'm satisfied these checks were sufficient.

Mr T has told us he was gambling heavily at the time Zopa gave him this loan and feels it should have checked his bank statements which would have shown this activity. But Zopa wasn't required to do this. And I don't think it's unreasonable that it didn't here.

Even if Zopa had seen that Mr T had been making gambling transactions, I don't think this would have necessarily meant it shouldn't have lent to him. Many people choose to spend money in this way, and they're entitled to do so. And I haven't seen any evidence Mr T had told Zopa he felt his gambling was a problem.

financial difficulties

When a customer is experiencing financial difficulties a business has a duty to respond in a positive and sympathetic manner.

In September 2015 Mr T called Zopa to advise that he was struggling with his loan repayments. I've listened to a recording of this call and can hear that Mr T explained his wife had lost her job and asked if he could repay his loan over a longer period to reduce the monthly minimum payment. Zopa's advisor explained that it wasn't its policy to agree this. But said they could instead put him on a reduced repayment arrangement for six months and freeze interest on any arrears. Mr T said he didn't want to do this due to the impact on his credit file.

I can hear the advisor then explained that they could give Mr T contact details for StepChange if he'd like to talk to them to get some free debt advice. But he declined this offer too. The advisor asked some further questions to better understand Mr T's situation. And tried to encourage him to complete income and expenditure details. They also reiterated that he could call back at any point before his payment was due if he reconsidered and felt he needed assistance.

I appreciate Mr T is frustrated that Zopa didn't agree to the changes he wanted here. But it wasn't under any obligation to extend the term of his loan. And I do think its offer of a reduced repayment plan was a fair one in the circumstances, and showed a positive and sympathetic response to his situation. I understand Mr T was concerned about his credit record. But when he took out this loan he entered into a loan contract. And I think it's reasonable to expect that deviation from the terms of this contract would be reflected on his credit file.

Mr T says that he contacted Zopa again in an attempt to agree a reduced repayment arrangement after he first missed a loan repayment in October 2015. He says the advisor he spoke to suggested he repay an amount in the region of £300 a month. But that he felt he couldn't afford this and asked to make payments of £200, which Zopa refused to agree to.

Zopa has no records of a further call with Mr T around this time. But it's explained that in situations like this it deals with cases based on individual circumstances and can ask consumers to complete income and expenditure forms to check the affordability of a repayment offer. It's told us that it feels it's very unlikely it would have asked for reduced repayments of £300 against regular repayments of £398. And has also pointed out that it later accepted a repayment plan as low as £150 a month, so again thinks it is unlikely an offer of £200 would have been rejected.

Where information is incomplete or contradictory (as it is here), I have to make my decision based on the balance of probabilities. That is, what I think is most likely to have happened given all of the circumstances of the complaint.

Unfortunately I can't be certain as to the details of any discussions the parties might've had at this time. But considering how Zopa responded on the first call it had with Mr T in September 2015, and the £150 repayment arrangement it later reached with him (which I will refer to below), I do think it's unlikely Zopa would have dismissed a repayment offer at this stage without attempting to take steps to check how much Mr T could afford to repay at this time. It is common for banks to ask for financial details before setting up a reduced repayment plan. And I haven't seen or heard any evidence to suggest that Mr T completed income and expenditure forms to provide it with this information.

Zopa recorded a default on the account in February 2016. Generally a default can be registered when an account is at least three months in arrears. And normally by the time it is six months in arrears. I can see Mr T had missed 4 repayments at this point (October, November and December 2015 and January 2016). So I'm satisfied Zopa was entitled to apply a default to his account. Its contact notes indicate that it sent various letters to Mr T to advise him of failed direct debits, give notice of arrears, and give notice of default before it was recorded. So I haven't found that it made any error in this respect either.

Mr T called Zopa again in June 2016 and agreed a reduced repayment plan with it at this point. I can hear he said he felt he could afford to pay £180 a month. Zopa said it would accept £150 a month on a temporary six-month arrangement, to start in July 2016. It also explained that the repayment plan could be cancelled if Mr T failed to make payments.

Mr T complains that Zopa didn't then collect these payments. However I've listened to the call he had with Zopa at this time, and I hear the advisor told Mr T he would need to set up the payment himself. No direct debit was discussed at this point. I've also looked carefully at Zopa's records and I haven't seen any other evidence to suggest Mr T asked it to set up a direct debit for these repayments at a later date. Or that he contacted it before March 2017 (when he spoke to a third party handling his account) to query why payments hadn't been taken. So whilst I appreciate there may have been some misunderstanding here and Mr T intended to make these payments, I don't think I can reasonably say that they weren't collected due to an error on Zopa's part.

I can see Mr T's account has been handled by several third parties over the duration of these issues. And I understand he's unhappy about this and may have found it confusing. But Zopa was entitled to assign Mr T's account to a third party, or engage a third party to act on its behalf if it wished. And its contact notes indicate Mr T was informed when his account was passed to a third party, and on one occasion back to Zopa. So again, I haven't found that it acted unreasonably.

I do empathise with Mr T. It's clear he was keen to make repayments towards his loan. And I appreciate he has been through some difficult times. But for the reasons I've outlined above I haven't found that Zopa's made any errors here.

my final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 1 June 2020.

Jenette Lynch
ombudsman