

## **The complaint**

Mr M complains about the correspondence he received from Zopa Bank Limited in relation to a loan it arranged for him.

## **What happened**

Mr M took out a loan which was arranged by Zopa. During the Covid-19 pandemic, Zopa agreed to a payment arrangement where Mr M paid reduced monthly payments towards his loan from May to July 2020. Zopa said Mr M then went back to making contractual repayments towards the loan, and it also set up a separate plan for him to make additional payments to clear the shortfall accrued over the payment arrangement period.

Mr M complained to Zopa, and then this service, about the correspondence he was receiving. In summary he was unhappy he was receiving notifications about missing payments and arrears, when he was actually in an agreed payment arrangement with Zopa. He also raised concerns about how the arrangement would affect his credit file.

An investigator here reviewed things and explained that whilst Mr M was making reduced payments through an arrangement, his contractual loan payments were being missed and the remainder would make up Mr M's arrears balance. She acknowledged the confusion this caused, but thought it wasn't an unusual practice. She also thought Zopa had clearly explained that the arrangement wouldn't negatively impact Mr M's credit file. In further correspondence, she noted that Mr M remained unhappy with the wording used in the letters and explained that this service wasn't a regulator, so couldn't make a business change the wording it chose to use. All these concerns form the subject of a separate complaint with this service.

Some months later, Mr M raised further concerns. He was unhappy he'd received further correspondence about his loan, despite previously raising concerns about this. He was unhappy about the continued reference to missing payments and arrears, and he thought the tone of the correspondence was judgemental. Mr M also highlighted that there was an error where the correspondence said he was late making a payment when he says he wasn't.

Zopa reviewed Mr M's complaint and, in summary, explained that it had a legal obligation to make him aware of any arrears on the account. It further explained that the arrears had built up as a result of not meeting the contractual loan payments whilst there was an arrangement in place.

Zopa did, however, accept that the covering letter that was sent alongside this incorrectly stated that Mr M had missed a payment when he hadn't. Zopa explained that whilst the letter was issued on 9 December 2020, it had been generated before this, and before Mr M's payment had been received on 8 December 2020. Zopa apologised for the error caused and offered Mr M £50 compensation.

In further correspondence, Zopa also said it had escalated Mr M's concerns to the appropriate team to ensure the issue didn't happen again. It also issued additional

correspondence outlining that whilst it didn't think it had made an error by sending Mr M correspondence about the arrears on his account, it would reduce the communication to that which was only regulatory.

Mr M remained unhappy and brought his complaint to this service. One of our investigators reviewed matters. In summary, she explained that it wasn't for this service to tell a business to change the wording in correspondence it sent to customers. She also didn't think Zopa was sending excessive communications about the account. She acknowledged that the letter from December 2020 was sent in error as Mr M hadn't missed a payment, but she thought the £50 compensation Zopa had offered in respect of this was fair.

Zopa didn't dispute our investigator's findings, but Mr M did. In summary, he repeated his earlier points and thought that some aspects of the complaint were missing from the initial investigation. He also said that since the complaint has been with this service, Zopa had sent further correspondence which he was unhappy with.

As an agreement couldn't be reached, the case has come 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.

Mr M has made reference in his submissions to previous concerns he has raised with Zopa about similar issues. Whilst I accept this is useful context to the more recent issues that have occurred, those complaint points form the subject matter of another complaint with this service. Therefore, I'll make no findings in relation to those complaint points, including, but not limited to, matters that took place up until the date that the investigator issued her opinion in relation to the other case. My decision will focus on the more recent issues that Mr M has raised. And, I'll focus on what I deem to be the crux of that complaint.

I note Mr M says he would like the level of compensation offered to be significantly impactful to Zopa, to deter it from continuing to send correspondence in the manner it has. It's important for me to explain that any awards we make for compensation are not designed to be punitive. We are not a regulator, and we cannot punish businesses. Our approach in the first instance is to review the issues at hand, and then consider what we feel might be fair compensation where appropriate, taking into account the impact of any shortcomings on the customer.

Zopa explained that whilst Mr M was in a payment arrangement during the Covid-19 pandemic, he wasn't making the contractual repayments towards his loan when they were due. Therefore, the shortfall which accrued during the period made up Mr M's arrears balance. With that in mind, I don't think Zopa treated Mr M unfairly by sending him correspondence, through various channels, which referred to the arrears which had accrued over the arrangement period.

Mr M says he thinks the purpose of the correspondence sent is to place blame on the customer. I acknowledge that the correspondence has caused Mr M upset, but I'm not persuaded this is the intention behind the correspondence. I'm persuaded the purpose is to keep customers updated about their repayments on their loan and provide them with updated information about the loan status. I've also noted that in the letters Mr M was receiving, there is a section which states the following:

*“Please note that if you are making payments under an agreed arrangement through a Debt Management Company or Zopa directly, you do not need to contact us as this notice is to provide you with information on the status of the loan arrears.”*

I think the above clearly outlines that the purpose of the correspondence is to keep Mr M updated with the status of the loan. So, overall, I don't find the contents here unreasonable. And, as I understand it, Mr M was previously advised that Zopa may continue to send him correspondence about the arrears on the account moving forward.

As I understand it, Mr M received similar correspondence some months later. But, for the reasons I've already outlined, I don't think Zopa has acted unreasonably by sending him this.

That being said, the covering letter which was included with the correspondence sent to Mr M in December 2020 was inaccurate as it said he was late making a payment, when this wasn't the case. With this in mind, I can understand why Mr M was frustrated about this letter, particularly as he'd already made Zopa aware of the upset its correspondence was causing him. So, I think it's right that Mr M is paid some compensation for these shortcomings. Zopa has already offered Mr M £50 compensation. Having thought carefully about the circumstances, I think this is fair, and Zopa should arrange to pay Mr M this amount if it hasn't already.

As I understand it, the payments which were missed over the arrangement period have now been made in full. Therefore, Mr M shouldn't receive any further correspondence on this matter moving forward.

### **My final decision**

My final decision is I uphold this complaint and require Zopa Bank Limited to pay Mr M £50 compensation for the error in the correspondence it sent him, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 January 2023.

Hana Yousef  
**Ombudsman**