

The complaint

Ms B complains she has been treated unfairly by Zopa Limited when it closed its peer to peer (P2P) lending platform. She says she hasn't been fairly compensating for the value of her investment.

What happened

Ms B invested through Zopa's P2P lending platform earning interest on the capital she committed for lending.

On 7 December 2021, Zopa advised investors that it would be stopping consumer investments and transferring all loans to its newly formed parent company. It proposed to buy Ms B's loan portfolio at current face value (plus any interest that borrowers had already paid up to the date of sale) and said she'd receive her investment balance back by 31 January 2022.

Ms B complained as she felt the decision had treated her unfairly and didn't think Zopa's terms allowed it for it to take this action. She said she had lost out on interest payments and further opportunity to invest. She requested all interest on her loans to be paid up to the actual end of each individual loan and compensation for future losses of the opportunity to reinvest. She also asked to be allowed to close a three-year fixed term savings account which she opened in October 2021 as she could no longer have a long-term investment relationship with Zopa.

Zopa didn't uphold the complaint. In summary it said:

- Due to changes within the P2P sector, it made the difficult decision to close its P2P business. Tighter regulation within the sector made it challenging to grow its P2P business while remaining commercially viable.
- The Zopa Principles say it is able to purchase loans at face value. This isn't a change to the Principles as the right to buy the portfolio was already covered as part of the contingency planning. Ms B is unable to opt out of the sale of her portfolio – and it won't be looking to offer any kind of compensation for the interest that could have been awarded had the platform not been closed.
- In respect of Ms B's request to withdraw from the three-year fixed term savings account, this isn't something it's able to allow. The closure of the P2P platform holds no bearing over the fixed term part of the business.

As Ms B didn't agree with this response. She referred her complaint to this service for an independent review. One of our investigators looked into the complaint. She didn't uphold it. In summary she said:

- In closing its P2P platform, Zopa made a decision to acquire Ms B's active loans at face value, which included any loans in arrears. While this did mean Ms B could no longer benefit from any future interest payments, her money was no longer exposed to risk and was available for her to withdraw and invest elsewhere.
- There was no requirement for Zopa to have consulted Ms B prior to this decision

being taken. The Zopa Principles which constitutes the terms and conditions applicable to the investment, allow Zopa the right to buy the portfolio at face value, so she didn't agree that Zopa has breached the agreement.

- While Ms B is disappointed that she can no longer receive the interest that may have been payable on her loans (and any future reinvestment), it is important to note that with any loan, there was always a possibility that a borrower would repay early or go into default and so future interest payments are never guaranteed.
- Given her findings, she didn't think Zopa needed comply with Ms B's request to withdraw her savings from a fixed rate account she opened in 2021.

Ms B didn't accept the investigator's findings and asked for a decision to be made by an ombudsman. She provided further submissions – in summary she said:

She was induced to invest in a fixed term saving product when Zopa knew it was ending P2P investments, but it had failed to inform the investors so that they could make a properly informed decision. Zopa must have known that a significant proportion of P2P investors had invested due to the ethics and ethos of P2P lending and therefore would not have invested in other long-term products if they had known that their original P2P investment was ending.

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.

Zopa has provided the reasons why it decided to close its P2P platform to retail customers. It says this was essentially due to commercial viability, market conditions and challenges brought about by regulation. So, it appears Zopa was exercising its commercial judgement when deciding whether its P2P platform was viable on an ongoing basis. This is something it is able to do and not something I am able to make judgement on. But I can consider whether Ms B has been treated fairly in how her investments have been administered as a result of this decision.

As a starting point, I've reviewed Zopa's Investor Principles and note the contents of the section relating to ending the agreement. Amongst other things this explains if Zopa wants to end the agreement it will give 30 days' notice to lenders. They go on to say that any outstanding loans may either be sold on the secondary market, or to Zopa or a third party if it has implemented its wind-down plan. This section explains that there may be circumstances where it is unable to continue to operate the platform and have to wind-down the business. It gives examples such as changes in regulation that mean it can't operate in a sustainable and profitable manner.

So, this suggests Zopa had a broad discretion in terms of closing the platform and selling Ms B's loans. I accept Ms B had a desire to remain invested and her dissatisfaction with the decision made. But ultimately, this wasn't something she could influence, and I don't think Zopa has treated her unfairly or that it has acted outside of the Investor Principles in making this decision.

Ms B disputes she was given notice of the platform closure. But she was informed on the 7 December 2021 of Zopa's intention to close the platform and sell her loans, and this would be completed by the 31 January 2022. So, it does appear the early December notice was Zopa telling her in advance of its intention to close the platform. I note her comments that Zopa must have had awareness that it was considering this course of action, but I don't think it is reasonable to say it should have given prior notice until the decision was formally made on how it intended to close the platform.

I can understand why Ms B feels Zopa has acted unfairly by not providing her with the ability to remain invested – and thus losing out on future interest payments from borrowers and reinvestment opportunities. But I don't think there has been a failing here. And in any case even if I were to accept there was a failing, I don't think overall Ms B has been treated unfairly or suffered a loss. I'll explain why.

Zopa's approach to repaying loans involved Ms B receiving her capital back for loans and interest that had been acquired. The benefit of taking this course of action was it gave a quick guaranteed return of capital on loans – including those that had late payments. The risk of default on loans with payment problems is heightened, so the fact capital was returned on these loans was beneficial to lenders like Ms B. I appreciate Zopa's approach did mean there was no option to continue earning interest on loans that hadn't reached maturity. But I'm also conscious that future interest payments weren't guaranteed either, and the risk of future default remained for all loans - even those with a good payment history.

Having carefully considered the circumstances, I don't think it is reasonable to ask Zopa to pay returns where there was no guarantee they would be achieved. So, I agree that Zopa's approach of assessing the sale price at the time is a fair and reasonable way of deciding what should be returned to Ms B. While I understand why Ms B would have preferred to continue investing, I don't agree that she has suffered a financial loss as a result of the action Zopa took.

Ms B has raised a point about being induced into taking out a separate savings product with Zopa because of information she had been given about the banking operation and P2P lending side of the business sitting alongside each other. She argues Zopa went back on this statement when it closed the P2P platform. She has suggested that she decided to take out a fixed rate savings product based on Zopa's prior business model to entice P2P account holders to invest in other products provided by the Zopa group. She now feels deceived as she believes Zopa intended to close the P2P business, and this was known when she opened her savings account.

I understand the comments Ms B makes and her reasons for drawing a link between the two products when she made her decision to open the savings account. But I don't consider the two matters to be sufficiently related to impact the outcome of this complaint. The savings product she took out bears no direct link to her P2P account, other than it was held with an entity that formed part of the Zopa group. It was taken out through a separate contract. I haven't found reasons to say the closure of the platform should be linked to this - or that Ms B has suffered a loss on her savings product due to the closure of the P2P platform. For these reasons, I'm not satisfied that Zopa needs to do anything here, or that it would be appropriate (or even possible) for me to direct Zopa Limited to take action on the savings account. If Ms B has concerns about the sale of her savings account, she would need to raise these with Zopa in the first instance.

In conclusion, I think overall Zopa has treated Ms B fairly. The Investor Principles do explain the possibility of Zopa deciding to end the agreement and sell outstanding loans. Essentially Zopa has made a commercial consideration about the viability of the platform and decided to close it. I understand this will come as a disappointment to Ms B, but I haven't found that Zopa need to pay her any further compensation from the loan sale.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 20 October 2023.

Daniel Little
Ombudsman