

The complaint

Miss N complains that Zopa Bank Limited, who I'll call Zopa, were unreasonable not to default her loan earlier.

What happened

Miss N took out a fixed sum loan with Zopa in August 2021. She made the first payment but then entered into a Debt Management Plan (DMP). Zopa accepted reduced payments under that DMP from November 2021 until September 2022 and then accepted that the payment under the DMP would reduce further.

Zopa reported missed payments to Miss N's credit file from November 2021, but they didn't default the account until May 2023.

Miss N says that was too late. She said her other creditors defaulted earlier and that Zopa were unreasonable not to default it in 2022. She says that has prolonged the impact the issue has had on her credit file.

Zopa didn't agree. They explained that it was usual for them to pause the default for the duration of the payment plan. They said that gave consumers like Miss N the best possible opportunity to resume their account. As a gesture of goodwill, they offered to amend the date of the default to April 2022 but only if the case wasn't upheld as they didn't believe they had done anything wrong.

Our investigator thought that date was reasonable but didn't agree that Zopa hadn't done anything wrong. She thought they should pay Miss N £50 to compensate her for the distress and inconvenience caused.

As Zopa didn't agree the complaint has been referred to me, an ombudsman, for a final decision.

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 know it will disappoint Zopa, but I agree with the investigator's opinion. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific 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.

The Information Commissioner's Office (ICO) says when a consumer is at least three

months behind with their payments then a default may be registered. They would expect a default to be registered by the time a consumer was six months in arrears.

Zopa have explained that they would usually default an account when it was four months in arrears. As Miss N entered into a DMP shortly after her loan payments began it took until about April 2022 before her account was four months in arrears. I think that was the point Zopa should have defaulted the agreement.

While in some situations it may be beneficial to delay defaulting the account I don't think it was likely to have been helpful in Miss N's circumstances. The DMP suggested she only had about £130 a month available from which to service five creditors. Zopa was the largest of those creditors and contractual monthly repayments over the two year period were about £220. I don't think the evidence suggested Miss N was likely to be able to resume those repayments sustainably and I think it was, therefore, reasonable to default the account in April 2022 so that the, in my opinion inevitable, default wouldn't impact Miss N for longer than was necessary.

Miss N has been inconvenienced by Zopa's actions. She has, for instance, been worried about the impact the default would continue to have on her credit file, and she's had to escalate her complaint to this Service. I don't think there has been any financial loss as a result of this issue and I don't think it's likely that the presence of this default on her credit file, when there are already others, would have made credit any more difficult to obtain. In the circumstances I think Zopa should pay Miss N £50 in compensation. I'm not persuaded to increase that. Our investigator provided her view on this matter in February 2024 and there has been a limited delay as a result of Zopa not accepting that decision. They're entitled to disagree, as Miss N is to complain, and I don't think their grounds for disagreeing were so unreasonable as to warrant further compensation.

My final decision

For the reasons I've given above, I uphold this complaint and tell Zopa Bank Limited to amend the date of default to April 2022 and to pay Miss N £50 to compensate her for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 19 June 2024.

Phillip McMahon
Ombudsman