

The complaint

Mr H complains about the way in which Zopa Bank Limited has administered his loan.

What happened

In September 2023 Mr H applied for a loan with Zopa. The loan was for £17,000 with contractual monthly payments of £477.59 over a 48 month term, with payments due on 22nd of each month.

Mr H made his contractual monthly payments but also made overpayments to the loan with the intention of lowering his contractual payment and/or paying off the loan sooner. He's unhappy that each time he's made an overpayment, Zopa has treated his payment as a part payment towards his next contractual monthly payment.

Mr H complained to Zopa. He said they weren't handling his overpayments correctly.

Zopa didn't uphold the complaint. In its final response it said that Mr H's contractual monthly payment at the time of taking the loan was £477.59. It said that due to over payments made to the loan, the payment amount had lowered but the term had remained the same. Zopa referred to emails it had sent to Mr H advising him what his adjusted payment due was and when it would be taken. Zopa advised Mr H that his monthly contractual payment was subject to change should he continue to make ad hoc lump sum payments to the account.

Mr H remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that Zopa hadn't made an error and that it had applied the overpayments in line with the terms and conditions.

Mr H didn't agree. He said he understood that the direct debit would reduce if he made overpayments, but he didn't understand why the direct debit was temporarily reduced to other amounts such as £436.47 in July 2024. Mr H said he believed that Zopa was mishandling his overpayments as a way of stopping him pay off the loan quicker.

Because Mr H 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 reviewed the terms and conditions of the loan agreement. These state at the clause headed "Early Repayment" as follows:

"You can make payments at any time to repay some or all of the loan early (subject to any additional interest we are entitled by law to add because you are repaying some or all of your loan early) by logging into your account. If you make a Partial Repayment the term of your loan will stay the same, but the amount of your monthly repayment will reduce. We'll tell you the new repayment amount".

In Mr H's case, his contractual monthly payment when he took out the loan was £477.59 over a term of 48 months.

If Mr H hadn't made any over payments, his contractual monthly payment would have always stayed the same i.e., £477.59.

I've reviewed the account and I can see that Mr H has made several relatively small overpayments since he took out the loan. I can see that Zopa has applied these partial repayments and has then written to Mr H to notify him of the change to his monthly repayment. This is in line with the terms and conditions,

In its final response letter Zopa explained to Mr H that his monthly payment would change each time he made an overpayment. It also explained to Mr H that the term of the loan wouldn't change. In other words, overpayments won't reduce the term of the loan. But they will reduce the monthly payment.

Mr H has said that he hasn't received Zopa's communications about the monthly payment. I've reviewed the information provided by Zopa and I can see that they sent Mr H an email on 20 March 2024 advising him that his monthly payment would be £439.37. On 22 April 2024 Zopa sent Mr H an email advising him that his monthly payment would be £438.06.

I appreciate that Mr H has said he hasn't received these emails. However, they appear to be correctly addressed to Mr H so whilst I'm not in a position to dispute what Mr H has said, I can't say that Zopa hasn't sent them or that it has made an error.

The reason the monthly payment figure changes is to reflect over payments made by Mr H the previous month. So, for instance, in March 2024 Mr H made overpayments of £22.55, £23.80 and £15.15 on 27 and 28 March respectively. This meant that the monthly payment due for April 204 was adjusted.

I appreciate that it could be confusing for Mr H to have his direct debit payment changing each month. But as I've said above, the monthly payment is being adjusted to reflect the over payments made by Mr H. If Mr H doesn't make any overpayments the direct debit will stay the same each month.

Based on everything I've seen I'm unable to say that Zopa has made an error here or treated Mr H unfairly. I won't be asking Zopa to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 December 2024.

Emma Davy
Ombudsman