

The complaint

Miss C complains that Zopa Bank Limited applied interest to her account despite having been informed that she was in a debt management plan.

What happened

Miss C opened a credit card account with Zopa in March 2022.

In April 2023 Miss C entered into a debt management plan with StepChange.

In August 2023 Miss C contacted Zopa to query why it was applying late payment fees and charges to her account.

In its final response, Zopa said that Miss C had set up a plan starting on 7 April 2023 for 6 monthly payments of £8.54. It said it had received a payment of £8.72 on 27 March 2023. It said that this payment cleared the amount outstanding on her monthly statement for March 2023 which brought the account up to date and completed the plan. Zopa said it was unable to have plans in place for equal to or more than the minimum payment. It said that as such, the plan was broken and interest had been applied. The application of interest meant that the payment made by Miss C didn't cover the minimum amount due.

Miss C remained unhappy and brought her complaint to this service.

Our investigator upheld the complaint. He said that although Zopa had sent an automated email to Miss C on 27 March 2023 advising her that her breathing space had ended, he didn't think Zopa had acted fairly. The investigator said that Zopa should remove all of the interest it charged between April and July 2023 and refund the two missed payment charges applied in June and July 2023.

Zopa didn't agree. It said it had followed its processes and interest had been charged in line with the agreement.

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 can see that StepChange sent a payment proposal to Zopa on 10 February 2023 offering a proposed payment of £8.54 and asked Zopa to stop charging interest so that Miss C could repay her debts in a reasonable period of time.

I can see that a payment of £8.72 was received by Zopa on 27 March 2023. Zopa sent an automated email to Miss C on 27 March 2023 advising her that the Government Breathing Space had come to an end.

Zopa has said that a plan for 6 monthly payments of £8.54 started on 7 April 2023. Zopa has also said that the payment of £8.72 on 27 March 2023 brought the account up to date and that it wasn't possible to have a plan in place to equal or more than the minimum payment.

Zopa says that because the plan was broken, interest and charges were applied.

I don't think Zopa has acted fairly here. The automated email dated 27 March 2023 doesn't make it clear that Miss C's payment plan has ended or that interest and charges would be applied going forwards. It would have been reasonable for Zopa to inform StepChange that the payment plan it had agreed had ended very shortly after it had been started. This would have given Miss C (via StepChange) the opportunity to set up a new plan.

I don't think it was reasonable for Zopa to set up the payment plan when it knew that the plan wouldn't last very long. Zopa has said that it can't have a plan in place which is for equal or more than the minimum payment. Zopa knew when it agreed the plan that if interest wasn't added to the account, then the payments proposed under the plan would be more than the minimum payments and that the plan would be broken .

Taking everything into account, I don't think Zopa has acted fairly here. It hasn't been clear in its communications with Miss C about the plan ending or about the fact that interest and charges would be applied to the account. This meant that subsequent payments made by Miss C weren't sufficient and she incurred interest, which led to her making insufficient payments and incurring missed payment charges, which she wouldn't have done if Zopa had provided clear information.

Putting things right

To put things right Zopa must:

Remove all interest charged between April and July 2023

Refund the two £12 missed payment charges applied in June and July 2023

My final decision

My final decision is that I uphold the complaint. Zopa Bank Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 3 April 2024.

Emma Davy
Ombudsman