

The complaint

Mr L complains he has been treated unfairly by Zopa Limited when it closed its peer to peer (P2P) lending platform. He says loans within his account had been written off without any payment to him – and this is unfair.

What happened

Mr L held a P2P lending account for a number of years on Zopa's platform and invested funds in return for interest.

In 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 investors entire loan portfolios at current face value (plus any interest that borrowers have already paid up to the date of sale). But for loans that were in default it wouldn't make any payments when acquiring the loans.

Mr L complained as he didn't agree that his defaulted loans had no value and believes he should be compensated for the loss.

Zopa responded to the complaint but didn't uphold it. It said:

- Any defaulted loans left in Mr L's portfolio were acquired as part of the loan book sale.
- When a loan defaults the value of that loan drops to £0.00 (this would be the face value of these loans), so he wouldn't have received a payment for these loans, and neither did any of other customers.
- As the loans were written off at £0.00 value there is no benefit here for Zopa.

As Mr L was unhappy with Zopa's response he referred his complaint to this service for independent review.

Zopa provided some further information about Mr L's remaining loan portfolio at the time the platform closed. It said:

- Mr L was paid £46,303 as part of the loan portfolio acquisition – made up active loans and loans in arrears.
- In respect of the defaulted loans, nearly all them were defaulted well in advance of the platform closure date. The remaining defaulted loans shown would not have been ineligible for previous debt sales usually for reasons such as bankruptcy or vulnerable customers.

One of our investigators looked into the complaint but didn't think it should be upheld. In summary he said:

- He didn't think Zopa had treated Mr L unfairly in how it dealt with the acquisition of his loans.
- Regarding the defaulted loans that were acquired with zero value, he accepted there was minimal further capital recovery expected.
- He noted that Zopa had paid Mr L face value for the loans in arrears (which were at increased risk of default) – so this made up for that fact it hadn't paid any value for

the loans already in default.

Mr L didn't agree and maintained that he hadn't been treated fairly by Zopa. In summary he said:

- Zopa's statements regarding the defaulted loans and the debt recovery have been accepted at face value
- When Zopa gave notice of the platform closure it said this would be completed by 31 January 2022, but in actual fact funds were returned to his holding account much sooner, in early January. This meant he lost out on nearly a month's worth of interest.
- By acquiring the defaulted loans without payment to investors, it means Zopa or its associated companies will benefit from possible recoveries.
- Zopa didn't follow the wind-down plan that was part of its Investor Principles – including that it may sell loans to a third party but would give an option to opt out and retain loans. But this didn't happen as defaulted loans were simply transferred to Zopa's associated companies.
- He was able to download a copy of a loan book from Zopa's website in May 2022 – and this implies the loans were still in Zopa's possession and further supports the process was chaotic.

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 Mr L has been treated fairly in how his investments have been administered as a result of this decision.

Firstly, I think it would be helpful to set out the terminology I will use when explaining Mr L's loan portfolio. I will also set out my understanding of the loan acquisition exercise that took place as part of the platform closure. At the time Mr L received notice from Zopa of the platform closure his loans fell into three categories:

- Active loans - those that had payments up to date.
- Loans in arrears - those that had suffered payment problems and borrowers were behind in payments, but crucially hadn't yet been declared in default.
- Defaulted loans – these are the loans that had suffered from ongoing payment issues and had formally declared in default and were subject to attempted potential recovery.

My understanding of the loan acquisition exercise completed in January 2022 is that Zopa paid Mr L the full capital value of both the "Active loans" and the "Loans in arrears" he held within his portfolio. But for his defaulted loans it acquired them without making any payment to him. The information I have received indicates that Mr L was paid just over £46,000 for his loan portfolio – and of this amount £2,633 was for loans in arrears. His defaulted loans had a notional value of £1,373 - but as mentioned he didn't receive any payment for these.

Mr L has argued that he has been treated unfairly in the way Zopa acquired his loans. He is particularly unhappy about not being paid anything for his defaulted loans. I understand the point he makes about the principle of the potential for recovery payments to be made – so

his defaulted loans still hold some value. But I also need to look at the circumstances of the platform closure and what he received for the other loans he had in his portfolio before deciding whether, overall, he has been treated fairly.

I've considered whether Zopa were treating Mr L fairly when it acquired his defaulted loans with paying him anything. At the point the portfolio acquisition took place between December 2021 and January 2022, these were funds that had failed to be fully recovered despite attempts being made and weren't considered to be suitable for a third-party sale. So, this is evidence that the chances of any meaningful recovery being achieved were limited – although it doesn't mean it wasn't possible for there to be some future recovery, and therefore these loans were worthless. But this isn't enough in itself to say Mr L has been treated unfairly, I've also thought about how Zopa treated the remainder of his portfolio.

Zopa has confirmed the value of the loans Mr L held that were in arrears totalled £2,633. These loans while not formally defaulted had run into payment problems. So, there was an enhanced risk that any (or all) of the loans Mr L held in this situation could default, and potentially lose some or all of his capital invested. Zopa agreed to pay Mr L the full capital value of his investment in these loans. This effectively took away this risk and guaranteed full capital repayment for these group of loans. I consider this to be a reasonable approach, and in some ways a generous offer considering the enhanced risk I mention above. When I weigh up this offer with the decision to acquire Mr L's defaulted loans without value, I don't find he has been treated unfairly in the circumstances. The amount he received for loans in arrears is nearly double the notional value of the defaulted loans that were acquired without payment.

Mr L remains unsatisfied with the information provided to show that Zopa has correctly paid him for his loans in arrears. Zopa has provided evidence of Mr L's loan portfolio by sending a spreadsheet that details the loan IDs and the amount paid for each loan in arrears. Mr L has questioned the validity of this evidence. But I don't think this evidence that should be dismissed without consideration. Mr L hasn't provided alternative evidence that would persuade me that what Zopa has provided is inaccurate. So, on balance, I find that this is evidence I can rely upon when establishing how Mr L's loan portfolio was compensated as part of the platform closure.

Mr L has raised a point about Zopa indicating it would provide him with the option to opt-out of sale of his loans. I've reviewed the information Zopa provided on its website about its wind-down plan should it need to close the platform. This does refer to the option Mr L mentioned. But I note the plan provides potential strategies that Zopa *may* follow as opposed to something it *will* categorically follow. Overall, I don't find this point sufficient to say Mr L has been treated unfairly. Zopa's approach gave a quick guaranteed return of capital on loans that weren't in default. On balance, I'm satisfied the decision to repay Mr L the capital on his loans (included those with late payment) outweighs any concerns about not fully following the published wind down process.

Mr L has raised a further point about the fact his loans were acquired before 31 January 2022, in early January 2022, meaning that he lost out on interest payments that he could have received. When Zopa wrote to its customers about the loan acquisition it explained 'You'll receive your investment balance *by* 31 January 2022' – not *on* this date. It went on to say that the loan purchase will happen in stages with newest loans first and completing with oldest loans no later than 31 January 2022. Again, this indicates the latest point it would happen, and implies that it could happen sooner. I've reviewed the contents of the chat Mr L's wife had when deciding when to submit an ISA transfer, but I don't find that this sets out a different position as it still refers to a date *by* the 31 January 2022. And I'm conscious the context of this chat was in relation to an ISA transfer not regarding the specifics of the loan acquisition. While I acknowledge the fact Mr L's loan acquisition happened relatively quickly

and well ahead of the latest date given, I don't find Zopa has having done something wrong here. I do appreciate that Mr L would like to have received interest up to 31 January 2022, but the fact his loans were acquired sooner doesn't lead me to think Zopa need to pay him anything further. As I've previously explained, I also don't think it is appropriate to make a finding on Zopa's decision to close the platform.

I have noted all of the other points Mr L has made in response to the investigator. While I haven't commented on every point, I have considered everything in reaching my conclusion on the crux of his complaint. I appreciate Mr L believes the platform closure was chaotic and questions whether the loans are still in Zopa's possession. But he has been paid out for his non-defaulted loans and the process for his portfolio was completed in January 2022. While Mr L believes Zopa should be held to account for its handling of the platform closure, my role isn't to punish Zopa. Rather I can direct Zopa to pay compensation to Mr L where I think its action have caused a loss. I understand this will come as a disappointment to Mr L, but I haven't found that Zopa need to pay him any further money from the loan acquisition. For the reasons set out above, I've reached a finding that he hasn't been treated unfairly by Zopa when it acquired his loans when closing the platform.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 September 2023.

Daniel Little
Ombudsman