

## The complaint

Mr F complains he has been treated unfairly by Zopa Limited when it closed its peer to peer (P2P) lending platform. He says he hasn't been paid the value of his remaining loans. He says his loans were acquired without his consent and without him being paid anything for them.

## What happened

Mr F held a P2P lending account for a number of years on Zopa's platform and invested funds in return for interest. He had received repayment for most of his loans. He says he had a small number of remaining loans that had defaulted but were on repayment plans with some repayments still being received.

In December 2021, Zopa advised investors that it would be stopping consumer investments and transferring all loans to its newly formed associated company. It proposed to buy 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 F complained as he felt this decision treated him unfairly as he was receiving nothing for his loans even though recovery action was continuing that could lead to further repayment. He didn't agree that his loans had no value and was unhappy that the decision had been made without his consent.

Zopa responded to the complaint but didn't uphold it. It reiterated that loans that have operationally defaulted have a £0 face value and therefore will be acquired at this amount. And said its portfolio analysis shows that the losses from delinquent loans far outweighs any future recoveries on the small remaining portfolio of defaulted loans which may be eligible to be sold. It said that not all defaulted loans were eligible for a debt sale, for example in situations of bankruptcy or vulnerability. It also said most of the remaining defaults were ineligible for sale, so have been written off (not sold) and there is no benefit here for Zopa.

As Mr F was unhappy with Zopa's response he referred his complaint to this service for independent review. One of our investigators looked into the complaint and upheld it. In summary he said by acquiring Mr F's loans without paying any value, Zopa treated him unfairly as his loans had some, albeit small, value. He recommended Zopa should pay Mr F 25% of the value of his remaining loans as compensation

I issued a provisional decision in July 2023 – this is what I said:

*"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 F has been treated fairly in how his investments have been administered as a result of this decision.*

*I understand Mr F essentially de-invested from the platform several years before Zopa decided to close it. In December 2021, when the decision was communicated to investors, the only funds Mr F had left on the platform were valued at approximately £60 and they were all in loans that had defaulted. It doesn't appear his account had been actively used for some while.*

*Mr F has argued that he has been treated unfairly by not being paid anything for his outstanding defaulted loans. I understand the point he makes about the principle of the potential for future recovery payments to be made – so his defaulted loans still hold some value. But I also need to look at the circumstances of his remaining defaulted loans and the likelihood of him receiving further money from them had they not been acquired by Zopa. Having carefully considered everything – I don't propose to ask Zopa to make any payment to Mr F for the following reasons.*

*Mr F invested a significantly larger amount of money on the platform than the amount remaining. Zopa say he had withdrawn nearly £60,000 by 2019, leaving a very small balance of funds left. Not only was it a significantly smaller amount of money, the likelihood of recovery actions returning much of this money appears to be extremely limited. Zopa say there were five defaulted loans left that had all gone into formal recovery many years before the portfolio acquisition took place. So, these were loans that had failed to be fully recovered despite being in default for many years. I also acknowledge the points made by Zopa regarding loans that have been default for some time are unlikely to be eligible for a debt sale due to situations of bankruptcy or vulnerability. So, the balance of evidence doesn't support the chances of any meaningful future recovery being achieved. It is not unexpected that some P2P loans will fail to recover capital as this is an inherent risk of this type of investment.*

*We recently asked Zopa if there had been any recovery of funds since it acquired the loans from Mr F. It confirmed that one of the five loans has made two small repayments in 2022 and this would have equated to £0.05 of repayments to Mr F. This information suggests if there were to be any further recovering the amount that would be due to Mr F is negligible. While it isn't possible to make a definite statement on future recovery, on balance, the evidence doesn't support that Mr F's previous loans are likely to pay back much, if anything at all. Taking all of these circumstances into account, I don't find Zopa's action of acquiring Mr F's loans with a zero value to be unreasonable when considering the position of his loan portfolio at the time of acquisition."*

Zopa didn't provide any further submissions for me to consider.

Mr F responded. In summary he said:

- The new evidence Zopa has provided misrepresents the nature of his investments. He says it is misleading to say he wound down his investment from 2016, rather it is more accurate to say following changes made by Zopa to the platform his investments matured and were repaid. He clarified that all his funding was on the old Zopa platform that Zopa closed in early 2016 – and he did not invest in Zopa's new products. He also said rather than saying he removed nearly all his total withdrawals of approximately £58,000 from the platform, a fairer representation is to say £58,000 of fixed term loans had matured by 2019.
- Users need to actively login to the account to 'withdraw' funds – this allows Zopa to hold onto the money for as long as possible without paying interest.
- After 2019 he was left with a small number of loans that had not been repaid within the agreed period. In most cases payment plans were agreed with borrowers and repayments continued, albeit, at a very low rate. He thinks the principle that these borrowers should repay what he lent them is important.

- Zopa admits it continues to receive repayment on his microloans. Even though the amounts are small, it is a matter of principle. Zopa has received money that he is entitled to and that hasn't been paid to him, so the loans have some value. He hasn't declined to continue the contract – so Zopa has treated him unfairly.

### **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.

This includes considering all of the further submission made by Mr F – alongside everything else the parties have provided.

I note the clarification and further details he has provided about his investment history with Zopa. This helps me to understand the reasons behind the investment choices he's made. But it doesn't change my overall thinking on whether he has been treated unfairly by Zopa in the way it has acquired his defaulted loans.

I acknowledge the point of principle Mr F makes about the possibility of further recovery and his entitlement to this. But based on the available evidence I've concluded this value is negligible – and the likelihood of significant payments is extremely remote. So, the fact Zopa acquired the loans without paying Mr F anything doesn't lead me to find he must have been treated unfairly.

Having considered all of the further submissions Mr F has made, I haven't found reason to change my findings. I do understand Mr F's strength of feeling about what has happened - but I haven't found that Zopa need to pay him any compensation. For the reasons above and those in my provisional finding, I haven't found 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 F to accept or reject my decision before 24 August 2023.

Daniel Little  
**Ombudsman**