

The complaint

Mr S 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 full outstanding value of his loans as promised when notification of the closure of the platform was given.

What happened

Mr S held a P2P lending account for a number of years on Zopa's platform and invested funds in return for interest. He had a portfolio of loans that included some loans that were up to date, some in arrears and some that were formally in default.

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. It said the loan purchases would happen by the 31 January 2022. The completion of the purchase of Mr S's loan portfolio completed on 14 January 2022.

Mr S noticed his defaulted balance – which would be acquired without payment to him – had increased between December 2021 and January 2022. Mr S complained as he felt this meant he had been treated him unfairly. He was unhappy £25.30 (the increased default balance) had been kept by Zopa that was due to him. He was also unhappy that Zopa is keeping any amounts recovered from loans that had been written off before the transfer.

Zopa responded to the complaint but didn't uphold it as it didn't think it had done anything wrong through the platform closure. It said:

- Due to changes within the P2P sector, it made the decision to close its P2P business – and referred to tighter regulation making it challenging to grow its P2P business while remaining commercially viable.
- In respect of loan purchases it said, whilst any loans that have been defaulted were acquired without payment, it paid Mr S for of any loan eligible for sale – including all loans that were in a status of arrears at the point in which the sales were completed. So, this meant it purchased loans that would not be available for Mr S to sell on the secondary market.
- The loans were purchased at face value, and up until the loan sales were completed (on 14 January 2022) Mr S's loans were serviced as normal - meaning if loans fell into default, they then were purchased at a face value of £0.00 like the rest of the defaults.

As Mr S was unhappy with Zopa's response he referred his complaint to this service for independent review. One of our investigators looked into the complaint. She didn't uphold it. In summary, she found that Zopa had treated Mr S fairly in the way it acquired and compensated him for his loan portfolio. She didn't think Zopa needed to do anything further.

Mr S didn't agree with the investigator's view. He remained of the opinion, Zopa hadn't correctly compensated him for the sale of his loans. As no agreement could be reached the complaint was passed to me to reach a 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.

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

Mr S's original complaint to Zopa was that he hasn't received what he should have from the loan purchase process that it introduced in December 2021. I've looked at exactly what was explained in the notice that was sent to investors. This confirmed:

"Zopa's purchase of your portfolio will happen in stages, starting in December with your newest loans and completing no later than 31 January 2022 with the oldest loans.

We'll purchase your loans at face value, so you'll receive the balance you have invested in loans back in full plus of course any interest that borrowers have already paid up to the date of sale."

Zopa also says it provided information in the FAQs section on its website that explained any defaulted loans in investor portfolios at the time of the sale were acquired in the purchase at zero value.

From this and my understanding of the process Zopa followed, Mr S could expect to receive face value for his active loans, as well as those in arrears, but anything that had been defaulted he would not receive payment for. The information I've seen about Mr S's portfolio indicates that the vast majority of his loans were active, he had around 70 that were in arrears and around 30 that were in default. So, he did receive his capital returned for the vast majority of his loans.

But he has raised a point that after Zopa gave notice of the closure of the platform and details of how it would compensate, his defaulted loan balance increased, and his arrears balanced decreased. He says this means that a loan defaulted and as a result he has received less than what was due to him as part of the loan acquisition.

Zopa says up until the loan sales were completed (on 14 January 2022 for Mr S) his loans were serviced as normal loans. This meant if loans fell into default in the period between the notice being given and completion of the sale then they would be acquired at zero value, like other defaulted loans in the portfolio, as per the process.

I do understand the point Mr S makes about going from thinking he would be receiving face value for all of his loans in arrears to having this reduced by £25 because of defaults that happened late in the process. But I don't think overall this is sufficient to say Zopa has done anything wrong here. If a default event happens before the loan acquisition process is complete, I find it reasonable to take that into account when calculating what Mr S is due. The timing of any defaults after the notice of the platform disclosure was given is unfortunate, but I haven't seen anything to suggest Zopa acted inappropriately in this respect.

Mr S has raised a more general concern 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.

As mentioned above Mr S was paid face value for around 70 loans that were arrears. 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 S held in this situation could default, and potentially lose some or all of his capital invested. Zopa's decision to pay the full capital value of these loans effectively took away this risk. I consider this to be 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 S's defaulted loans without value, I don't find he has been treated unfairly in the circumstances.

Mr S and the investigator disagreed on whether Zopa has followed its published contingency plan. I've reviewed the information Zopa provided about its wind-down plan should it need to close the platform. This does refer to the several options. But I note the plan provides potential strategies that Zopa *may* follow as oppose to something it *will* categorically follow. So, I don't immediately think Zopa has failed to do something it said it would. Zopa's approach gave a quick guaranteed return of capital on eligible loans. On balance, I'm satisfied the decision to repay Mr S the capital on his loans (included those with late payments) means Mr S hasn't been treated unfairly – despite the argument it didn't follow the published wind down process in its entirety.

I understand this will come as a disappointment to Mr S, but I haven't found that Zopa need to pay him any further compensation from the loan sale. For the reasons 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 S to accept or reject my decision before 13 September 2023.

Daniel Little
Ombudsman