

Complaint

Miss W has complained that Zopa Limited ("Zopa") unfairly brought about an unaffordable loan for her. She says additional checks should have been carried out before the loan was approved and the interest rate was too high.

Background

Zopa operated the electronic system in relation to lending which led to Miss W being provided with a loan in October 2016. The loan was for £12,000.00. The loan had a 60-month term and an APR of 30.93%. This meant that the total amount of £22,095.68, including interest and other charges of £10,095.68, was due to be repaid by a first monthly instalment of £480.00 followed by 59 monthly instalments of around £370.

Miss W's complaint was reviewed by one of our investigators. He thought that Zopa hadn't done anything wrong or treated Miss W unfairly. So he didn't recommend Miss W's complaint be upheld. As Miss W disagreed with our investigator's view, the complaint was passed to an ombudsman.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss W's complaint.

Zopa needed to carry out proportionate checks to be able to understand whether Miss W could afford to make the loan payments before bringing about this loan for her. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

As I understand it, Zopa enquiries into Miss W's circumstances suggested that she was employed and earning around £1,350.00 a month. I also understand that Zopa also carried out a credit check which showed Miss W had a credit card and a couple of loans, which she'd had no significant previous repayment issues. It also looks as though Miss W was intending to settle, at least, some of the outstanding balances she had with some of the proceeds from this loan. Zopa also obtained some information on Miss W's living expenses from her too.

As there was no concerning information on Miss W's credit file, anything else to contradict what Miss W had declared and this was her first loan with Zopa, I don't think that it was unreasonable for Zopa to rely on the information provided. Furthermore even allowing for this there appears to have been a reasonable margin left over to make the loan payments and while I understand that Miss W is unhappy with the interest she would have had more than enough to cover her payments, especially if she didn't settle her other commitments as she indicated she would.

I accept that Miss W might have had difficulty making the payments to this loan and I'm sorry to hear this. But I'm satisfied that Zopa's check before approving this loan were proportionate. I'd also add that while I think Zopa's checks were proportionate in this instance and so it didn't need to check Miss W's bank statements to verify her income, the copies Miss W has provided us with don't obviously contradict what Zopa was led to believe she was receiving each month even though she was in the latter stages of maternity leave. So, in any event, I can't reasonably say that further checks would have prevented Zopa from bringing about Miss W's loan either.

I also think that I should explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that Zopa did anything wrong when bringing about Miss W's loan. The key thing here is that it carried out proportionate checks which suggested the repayments would be affordable for her.

So overall I don't think that Zopa treated Miss W unfairly or unreasonably when bringing about her loan. As this is the case and while I sympathise with Miss W as a result of any difficulties she might have gone on to have, I'm afraid that I'm not upholding her complaint. I appreciate this will be very disappointing for Miss W. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss W's complaint, I'd like to remind Zopa of its ongoing obligation to exercise forbearance, should it choose to collect payments from Miss W and it be the case she's now in financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 14 March 2022.

Jeshen Narayanan
Ombudsman