

## **The complaint**

Miss B has complained that Zopa Limited acted irresponsibly when it provided her with two loans in 2015 and 2016.

## **Background**

Miss B borrowed two unsecured loans from Zopa in late 2015 and again about six months later in early to mid-2016. The first loan was for £2,000 and was to be repaid over 36 months. The second loan was for a considerably higher amount, £20,000 and was also to be repaid over 36 months.

Miss B has said that at the time both loans were provided to her she was struggling to maintain her finances and was gambling excessively. She doesn't think that Zopa carried out sufficient checks for either loan, as she believes if it had, it would've seen she was already in a lot of debt and would struggle to repay these. Miss B has said she has suffered a lot of worry and ill health as a result of taking out the loans.

Zopa has said that at the time of both applications it did carry out sufficient checks. It said that Miss B completed detailed income and expenditure forms at the time and had had a significant wage increase between loan one and two, which is why the larger second loan was approved. In addition to the income and expenditure form Miss B completed, Zopa has said it also checked her credit file at the time of both applications and didn't see any indication that she was struggling to maintain her finances or existing outgoings. In addition, Zopa has said that it is neither necessary, nor possible, for it to check the bank statements of every person who applies for credit from it.

Miss B disagreed with Zopa's findings and brought her complaint to our service. One of investigators looked into her case and found that Zopa should've done more thorough checks based on the information it found in Miss B's credit file. He recommended that the complaint be upheld.

Zopa disagreed with the investigator's findings and asked for an ombudsman to review the complaint so it's been passed to me for consideration.

## **My findings**

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

Having done so I'm in agreement with the investigator and for much the same reasons. I've set out my explanation below.

It's important to clarify that while businesses are obliged to run checks before they agree to provide credit to consumers, there are no fixed set of checks that must be completed and the sorts of checks that are run will vary from business to business.

However, there is an obligation on credit providers to ensure that any loan nor other form of

credit that is provided to consumers is both affordable and sustainable. So sometimes it may be necessary to run more detailed checks in order to ensure that is the case for the specific individual applying for credit.

In Miss B's case Zopa ran the basic credit checks and has said that on the back of these it was satisfied that both loans would be affordable and sustainable. However, having reviewed the information available to Zopa at the time I disagree. I think it should've been apparent that Miss B may have issues meeting her repayments long term, and that additional more detailed checks should've been carried out.

I say this because at the time the first loan was taken in 2015, Miss B's credit file shows that she had taken out six other unsecured loans over the previous 12 months. And three of these were still outstanding with a large debt still owed.

Zopa has said that the loans were being well maintained, and there were no arrears on Miss B's credit file. But I think the fact that Miss B had applied for so much credit, over such a short space of time and from different providers, should've made Zopa ask more questions about her finances in order to ensure she was managing them effectively before providing her with more credit. And if Zopa had done this, and had asked for Miss B's bank statements, which is a relatively common request from potential credit providers, it would've seen Miss B was gambling excessively at the time and that the proceeds of the previous loans had likely been used for this purpose.

Zopa has said that it is not obliged to ask for bank statements and any expectation that it would do this for every application is unrealistic and unworkable. But there's no expectation here that it would do this on every application it received. However, for those applications where there may be an indication that a consumer is struggling to manage their existing obligations it may well provide useful information and should be something Zopa would consider doing. And if it had done this in 2015, when Miss B applied for the first loan, I think it would've resulted in her application being declined on the basis that the loan was likely unaffordable and she would potentially struggle to make her monthly repayments over the course of the loan. This is because at the same time Miss B applied for the first loan she was spending a significant amount of her monthly income on gambling; for example in the month just before she applied for the loan she spent £1,500 on gambling despite the fact that her net pay that month was only £1,654.

In regard to the second, substantially larger, loan Zopa has said that this was approved because Miss B had had a change of circumstances and her annual income had increased as a result of her completing a professional qualification.

While I accept that Miss B's income did increase around this time, her annual salary increased from £24,000 to £36,000, Zopa itself notes that Miss B had taken out more credit elsewhere between loan one and this loan. And looking at her statements it's clear that she was still struggling to manage her finances effectively and was gambling in a compulsive and damaging way. The fact that this loan wasn't sustainable became apparent when Miss B started missing payments in early 2017.

Therefore I believe that there was enough evidence on Miss B's credit file at the time of both applications to indicate that she may be experiencing financial stress and which should've prompted Zopa to ask for additional clarification as to how she was managing her existing debt before providing her access to more credit. And if it had asked for this information at the time it wouldn't have provided her with either loan. So, I am upholding Miss B's complaint.

## **Putting things right**

To settle Miss B's complaint Zopa Limited should:

- Refund any interest and charges Miss B has paid in relation to both loans. Zopa should add 8% simple interest per year\* from the date of each payment, if there were any, to the date of settlement.
- Remove any adverse information recorded on Miss B's credit file regarding these two agreements.

\*HM Revenue & Customs requires Zopa to deduct tax from this interest. Zopa must give Miss B a certificate showing how much tax it's taken off if Miss B asks for one.

## **My final decision**

For the reasons set out above I uphold Miss B's complaint against Zopa Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 20 May 2022.

Karen Hanlon  
**Ombudsman**