

Complaint

Mr W has complained that Zopa Limited (“Zopa”) unfairly brought about an unaffordable loan for him. He said he doesn’t think a suitable amount of due diligence was performed when assessing his affordability for this loan.

Background

Zopa operated the electronic system in relation to lending which led to Mr W being provided with a loan to pay for a car in May 2016. The loan was for £2,240.00. The agreement had a 24-month term and the total amount of £3,116.35, including interest and other charges of £876.35, was due to be repaid in 48 monthly instalments of just under £65.

Mr W’s complaint was reviewed by one of our investigators. She thought that Zopa hadn’t done anything wrong or treated Mr W unfairly. So she didn’t recommend Mr W’s complaint be upheld. As Mr 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 Mr W’s complaint.

Zopa needed to carry out proportionate checks to be able to understand whether Mr W could afford to make the monthly payments before bringing about this loan for him. 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, this was Mr W’s first agreement with Zopa. And Zopa’s enquiries into Mr W’s circumstances suggested that he was employed and earning around £25,000.00 a year. I also understand that Zopa also carried out a credit check which showed Mr W had some existing credit commitments with no significant previous repayment issues. Mr W also appears to have told Zopa he was living with a relative and didn’t pay any rent for this. As there was no concerning information on Mr W’s credit file and the monthly loan repayments were low, I don’t think that it was unreasonable for Zopa to rely on the information provided.

I accept that Mr W says he had difficulty making the payments to this agreement and I’m sorry to hear this. I accept that Mr W’s actual circumstances may not have been fully

reflected either in the information he provided, or the information Zopa obtained. For example, I know he says that he was living somewhere else where he was paying rent at the time he applied for this loan. Equally I accept that if Zopa had gone into the depth of checks Mr W appears to be saying it and our investigator should have – such as obtaining bank statements in the same way a mortgage provider would – it's possible it might have reached a different decision.

But the key here is that Zopa wasn't providing Mr W with a mortgage. It was providing a loan for a much smaller sum with low monthly payments. It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr W is suggesting. I'm satisfied that Zopa carried out proportionate checks based on the circumstances at the time and those checks suggested the repayments would be affordable for Mr W. Indeed, while I'm not saying that this in itself means that the loan was affordable, Mr W does appear to have settled the loan early and well before the loan was due to end.

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

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 June 2022.

Jeshen Narayanan
Ombudsman