

Complaint

Ms D has complained that Zopa Bank Limited (“Zopa”) irresponsibly provided an unaffordable loan to her.

Background

Zopa provided Ms D with a loan in November 2020. The loan was for £3,000.00. The loan had a 24-month term and an APR of 26.5%. This meant that the total amount of £3,798.50, including interest and other charges of £798.50, was due to be repaid by 24 monthly instalments of just under £160.

Ms D’s complaint was reviewed by one of our investigators. She thought Zopa hadn’t done anything wrong or treated Ms D unfairly. So she didn’t recommend Ms D’s complaint be upheld. Ms D disagreed and asked for an ombudsman’s decision.

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 Ms D’s complaint.

Zopa needed to carry out proportionate checks to be able to understand whether Ms D could afford to make the loan payments before lending to 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’s check suggested that Ms D was employed with an annual salary of just under £80,000.00. I also understand that Zopa carried out a credit check which showed that Ms D had a number of credit cards and a couple of loans, which she’d had no significant previous repayment issues with.

It also looks as though the purpose of this loan was recorded as debt consolidation which suggests Ms D 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 Ms D’s living expenses from her too.

As there wasn’t anything to contradict what Ms D 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 it was

provided with. Furthermore even allowing for this there appears to have been a reasonable margin left over to make the loan payments – especially if she did settle some of her other commitments as she indicated she would.

I accept that Ms D may well have had difficulty making the payments to this loan. I'm sorry to hear this and I've seen that Ms D went on to take a number of loans with other lenders after this one. But I'm satisfied that Zopa's checks before providing 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 do more to verify Ms D's income in the way she's said, I've not been provided with anything that clearly shows that Ms D was earning a lot less than she declared anyway. So, in any event, I can't reasonably say that further checks on Ms D's income would have prevented Zopa from lending here 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 lending to Ms D. The key thing here is that it carried out proportionate checks which suggested the repayments would be affordable for her.

I appreciate that Ms D believes this complaint shouldn't be looked at in isolation and that it should be considered in the context of her other complaints. But I have to look at whether Zopa acted fairly and reasonably when providing this loan in these circumstances rather than reach a conclusion based on factors Zopa wasn't aware of and can't reasonably be expected to have been aware of either. And having done so, I'm satisfied that Zopa was reasonably entitled to believe that this loan was affordable for Ms D.

So overall I don't think that Zopa treated Ms D unfairly or unreasonably when lending to Ms D. As this is the case and while I sympathise with Ms D 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 Ms D. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Ms D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 12 January 2023.

Jeshen Narayanan
Ombudsman