

## The complaint

Mr L complains that Zopa Limited lent to him in an irresponsible manner.

## What happened

I issued a provisional decision on this complaint in December 2021. In that decision I explained why I didn't think the complaint should be upheld. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

*Mr L was given a single loan by Zopa in April 2019. The loan was funded through a peer to peer lending arrangement, however it was Zopa that had the regulatory responsibility to ensure that the loan was lent responsibly. Mr L borrowed £3,000 and agreed to repay the loan in 60 monthly instalments. Mr L repaid the loan earlier than planned, in March 2021.*

*Zopa gathered some information from Mr L before it agreed the loan. It asked him for details of his income, and his normal housing costs. And it checked his credit file to assess how much he was repaying to other creditors and how he had managed credit in the past. But Zopa doesn't appear to have asked Mr L about, or derived an estimate of, the remainder of his normal living costs.*

*Mr L was entering into a significant commitment with Zopa. He would need to make monthly repayments for a period of five years. So I would expect that Zopa would want to gather, and independently check, some detailed information about Mr L's financial circumstances before it agreed to lend to him. I don't think that the checks it did were enough – although Zopa was aware of what Mr L earned, and how much he paid on his mortgage and other loans, it didn't account for his other normal expenditure. I think it would have been proportionate for Zopa to gather more information about Mr L's finances before agreeing the loan.*

*But although I don't think the checks Zopa did before agreeing the loan were sufficient, that in itself doesn't mean that Mr L's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown Zopa that Mr L couldn't sustainably afford the repayments.*

*In this case, I don't think proportionate checks would have resulted in Zopa asking Mr L for copies of his bank statements to verify his expenditure. I think it would have been reasonable for Zopa to rely on information provided by Mr L about his living costs – or even to have relied on industry statistical data to estimate that expenditure.*

*The credit check showed that Mr L had a number of other active accounts. But, importantly, those accounts all appeared to have been managed well in the past with no evidence of missed payments, or more serious issues such as defaults, county court judgements, or bankruptcy. And the checks that Zopa performed showed that it had been almost a year since Mr L had last taken any new borrowing.*

*Mr L told Zopa that he wanted to use the loan to consolidate some of his other borrowing. I think it was reasonable for Zopa to rely on Mr L's explanation. Zopa could see from its checks that Mr L had two other credit accounts whose balances added up to around the same value as the loan he was taking. And although by consolidating those debts Mr L would be repaying his borrowing for much longer, the amount he needed to pay each month would be greatly reduced.*

*The results of Zopa's checks, even allowing for the addition of further expenditure as I've described above, suggested that Mr L had sufficient disposable income to afford the repayments on his new borrowing. And that disposable income would have increased still further when Mr L consolidated his other borrowing as he'd told Zopa he would. So I don't think the results of proportionate checks should have led Zopa to decline Mr L's application.*

*Mr L has provided us with copies of his bank statements. And those statements show that his finances were in a significantly worse state than Zopa's checks showed. He has told us that he was suffering from a gambling addiction at the time, and I can see that he regularly spent many times his normal income on what appear to be transactions of that nature. But as I've said earlier I don't think it would have been proportionate for Zopa to request copies of these bank statements when it made its lending decision. And Mr L didn't give Zopa any indication of the problems he was facing when he applied for the loan. I don't think it was unreasonable for Zopa to rely on what Mr L said.*

*I appreciate that my decision will be disappointing for Mr L. But I don't currently think that what I consider to be proportionate checks should have led Zopa to decline his loan application. So I don't currently think his complaint should be upheld.*

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Neither Mr L nor Zopa have provided me with any new evidence, or additional comments.

### **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.

Given that neither party has provided me with any new evidence or further comments I see no reason to alter the conclusions I reached in my provisional decision. It follows that I don't think that what I would consider to be proportionate checks should have led Zopa to decline Mr L's loan application. So I don't think his complaint should be upheld.

### **My final decision**

For the reasons given above, and in my provisional decision, I don't uphold the complaint or make any award against Zopa Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 1 March 2022.

Paul Reilly  
**Ombudsman**