

The complaint

Mr W complains that Zopa Bank Limited irresponsibly granted him credit he couldn't afford to repay.

What happened

Zopa opened a credit card account for Mr W in June 2021. This type of credit was an open-ended or running account facility and the credit limit was £300.

Mr W said he had existing debts and defaults and couldn't afford to repay more credit. He said that Zopa's checks were inadequate because it should have seen this and declined to lend to him.

Zopa didn't uphold Mr W's complaint. It said that it asked him about his income, checked his credit file and found that the credit card repayments would be affordable for him. Zopa said that although Mr W had some adverse information on his credit file, it wasn't recent enough to lead it to decline his application.

Mr W referred his complaint to us. Our investigator didn't recommend that the complaint be upheld. They found that Zopa didn't act unfairly or unreasonably by approving the credit agreement. Mr W didn't agree with this recommendation and asked for his complaint to come to an ombudsman to review and resolve.

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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook) which lenders, such as Zopa, need to abide by. Zopa will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Zopa needed to check that Mr W could afford to meet his repayments out of his usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit and to Mr W's circumstances.

Zopa asked Mr W about his salary which he said was £22,000. I've estimated that his net monthly pay was approximately £1,550. Mr W said his rent was £200 a month. Zopa also checked Mr W's credit file and provided a copy of the information it relied on. This shows Mr W was repaying a loan at £247 a month and had a combined debt of about £1,260 across three credit cards and a mail order account. There were five accounts showing as defaulted between April 2016 and April 2020 with a total of about £2,450.

The regulations stated that a lender should not use the assumption of the amount necessary to make only the minimum payment each month and should consider the customer's ability to repay the maximum amount of credit available under the agreement within a reasonable period of time. Even bearing this in mind, I think it was reasonable to consider that Mr W would be able to repay this credit without difficulty within a reasonable period of time, given his stated income, his rent and likely debt repayments relative to the credit limit he was offered.

I appreciate that Mr W had some defaulted accounts however, the most recent of these was over a year prior to taking out this card. His credit file didn't show any problems with his active debt so I don't think Zopa had any reason to think he was experiencing financial difficulty at that time.

Altogether, I don't think there was anything in the information Zopa learnt about Mr W's circumstances that should have prompted it to complete further checks before lending to him. And the amount of credit agreed wasn't so large relative to his means that it posed an obvious risk to him of not being able to meet his repayments without difficulty. So I think the checks Zopa carried out on this occasion were reasonable and proportionate, and it didn't do anything wrong by lending to Mr W on the basis of the information it had.

Mr W says that he had defaulted on other debts at the time. He explained that he's struggled to meet his repayments for this card and had difficulties with his mental health. I am sorry to hear that things have been so difficult for Mr W. I appreciate that this will be disappointing news but, having considered everything carefully, I have concluded that Zopa wasn't irresponsible when it opened this credit card facility for him. And so I am not upholding his complaint.

My final decision

For the reasons given above, am not upholding Mr W's complaint about Zopa Bank Limited and don't require it to take any action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 November 2022.

Michelle Boundy
Ombudsman