

## **The complaint**

Mr C complains that Zopa Bank Limited irresponsibly lent to him. He says he couldn't afford the loan he was lent. To put things right, he'd like Zopa to write off the debt and remove adverse information from his credit file.

## **What happened**

Zopa lent Mr C a loan for £5,000 in December 2021. The loan was due to repaid in 60 monthly instalments of £144. Mr C made some repayments towards the loan but fell into financial difficulties repaying the loan.

When he complained to Zopa, it didn't uphold his complaint, so he referred the complaint to this service where it was looked at by one of our adjudicators. Our adjudicator thought that Zopa should have been concerned about lending to Mr C as it should have seen that he'd be repaying a significant portion of his monthly income toward unsecured debts.

Zopa disagreed, it said Mr C was borrowing the loan for debt consolidation purposes and this would have meant his monthly repayments would be less, leaving him with more disposable income.

## **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.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A business should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

Zopa checked Mr C's income and searched his credit file and while I can't see that it checked his living costs, there's a record on file that shows Mr C paid £130 towards his housing costs.

Zopa recorded Mr C having an income of £1,900 and even though it hasn't provided the details results of its credit search, the summary showed Mr C was repaying three credit card debts and had a total debt of around £10,814.

Zopa hasn't shown that it considered whether consolidating his debts with this loan would make Mr C's finances better at the time but even if Mr C had repaid the balances on the two credit cards with the lower balances (which is what Zopa argues), the repayment on the other credit card and this loan would still have been a substantial part of his declared monthly income. I think there were enough signs for Zopa to be concerned and for it to take its checks further. So, I don't think its checks went far enough.

Had Zopa taken its checks further, it likely would have found that Mr C couldn't sustainably repay the loan. Mr C has provided evidence to show that he'd taken out an unsecured loan in April 2021 for around £20,000 which he was due to repay around £342 monthly, this loan was active at the time Zopa granted Mr C's loan. With this loan and Mr C's other repayments, he'd have been paying around half his monthly income towards unsecured debt.

In those circumstances, Zopa should have known Mr C was likely to struggle to repay the loan over the term and it shouldn't have lent. Zopa needs to put things right.

### **Putting things right**

Mr C hasn't fully repaid the loan and as he's had the benefit of the funds, it's fair he repays that. So, to put things right, Zopa should;

- Remove any interest and charges applied the loan.
- Treat any payments that Mr C has made as a reduction of the principle amount.
- It is likely Mr C will still have an outstanding balance Zopa needs to come to suitable repayment plan with Mr C to pay off the remaining capital amount.
- Remove any adverse information on Mr C's credit file in relation to this loan once it has been fully repaid.

### **My final decision**

For the reasons given above, I uphold Mr C's complaint and direct Zopa Bank Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 November 2022.

Oyetola Oduola  
**Ombudsman**