

## **Complaint**

Mr R has complained about a personal loan which he says Zopa Limited (trading as “Zopa”) unfairly brought about for him. He says the loan was unaffordable and was therefore provided irresponsibly.

## **Background**

Zopa operated the electronic system in relation to lending which led to Mr R being provided with a loan for £6,000.00 in September 2016. This loan had an APR of 32.9% and the total amount to be repaid of £11,382.97, which included interest fees and charges of £5,382.97, was due to be repaid in 60 monthly instalments of just under £190.

One of our investigators reviewed what Mr R and Zopa had told us. She didn’t think that Zopa had acted unfairly towards Mr R and so didn’t recommend that the complaint be upheld.

Mr R disagreed and asked for an ombudsman to review his complaint.

## **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 R’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr R’s complaint. I’ll explain why in a little more detail.

Zopa operated an electronic system in relation to lending which resulted in Mr R being provided with a loan. In these circumstances, Zopa needed to take reasonable steps to ensure that this loan wasn’t brought about irresponsibly. In practice, what this means is Zopa needed to carry out proportionate checks to be able to understand whether Mr R could afford to make his repayments before arranging this loan.

Our website sets out what we typically think about when deciding whether a lender’s (or P2P operator – such as Zopa here) 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 P2P platform operator to be able to show that it didn’t continue to arrange loans for a customer irresponsibly.

Zopa says it approved Mr R's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out which showed his existing commitments were relatively well maintained at the time of the application. In Zopa's view all of the information it gathered showed that Mr R could comfortably afford to make the repayments he was committing to. On the other hand, Mr R has said he was already in difficulty and couldn't afford this loan.

I've carefully thought about what Mr R and Zopa have said.

The first thing for me to say is that this was Mr R's first loan with Zopa. The information provided does suggest Mr R was asked to provide details of his income and expenditure and Zopa didn't just rely on what it was told as it carried out credit searches too. The credit searches carried out showed that the debt Mr R had wasn't excessive compared to his income. Crucially Mr R's existing debts, at the time, appeared to be reasonably managed too.

I accept that Mr R's actual circumstances may not have been fully reflected either in the information he provided, or the information Zopa obtained. However, Zopa could only make a reasonable decision based on the information it had available at the time. Mr R said that he was taking this loan in order to consolidate most of his existing debts – he was going to be left with payments to a hire purchase agreement and this loan afterwards.

So I'm satisfied that the proceeds of this loan could and should have been used to clear most of Mr R's existing balances. And as this was a first loan Zopa was arranging for Mr R and there wasn't a history of Mr R obtaining funds and then failing to consolidate debts elsewhere in the way he committed to either, I'm satisfied that Zopa was reasonably entitled to believe that Mr R would use the loan for the stated purpose and be left in a better position.

Given the circumstances here, I would have expected Zopa to have had a reasonable idea of Mr R's income and committed non-discretionary spending, which it did here, rather than a complete review of Mr R's finances. Furthermore, Mr R hasn't provided anything which clearly demonstrates further checks would have shown the loan payments were clearly unaffordable either. Indeed, the information Mr R has provided suggests that his finances took a turn for the worse from 2019 onwards and I don't think that Zopa could reasonably be expected to know that this might happen in 2016.

Equally, it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I think that Zopa was entitled to rely on what it had been told. As this is the case, I don't think that Zopa did anything wrong when arranging this loan for Mr R - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having considered everything, I don't think that Zopa treated Mr R unfairly or unreasonably when arranging this loan for him. And I'm not upholding Mr R's complaint. I appreciate this is likely to be very disappointing for Mr R – especially as he may have had other complaints upheld. 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 R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 March 2023.

Jeshen Narayanan  
**Ombudsman**