

## **The complaint**

Ms B says Zopa Bank Limited irresponsibly lent to her.

## **What happened**

Zopa operates the lending platform which gave Ms B a 60-month loan for £20,000 in November 2015. The monthly repayments were £429.09 and the total repayable was £25,745.40. The loan defaulted in February 2020.

Ms B says Zopa did not carry out checks or offer help at times of major distress in her life. It also took a long time to respond to her complaint. She wants the interest she paid refunded and the account to be closed.

Ms B complained to Zopa in March 2022. Zopa responded to her complaint in May 2022 saying it had acted fairly in approving the loan for Ms B.

Our investigator did not uphold the complaint. He said Zopa's checks were not proportionate but it did not seem better checks would have shown Ms B was unlikely to be able to sustainably repay the loan.

Ms B disagreed and asked for an ombudsman's review. She said Zopa had failed to carry out checks that it is legally obliged to - its defence of this case would get thrown out in court.

## **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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Zopa arranged the loan for Ms B required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Zopa had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Ms B. In other words, it wasn't enough for Zopa to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Ms B.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied

for. In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. There was however no set list of checks Zopa had to complete.

I've kept all of this in mind when thinking about whether Zopa did what it needed to before agreeing to lend to Ms B. So to reach my conclusion I have considered the following questions:

- did Zopa complete reasonable and proportionate checks when assessing Ms B's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Zopa make a fair lending decision?
- did Zopa act unfairly or unreasonably in some other way?

I can see Zopa asked for some information from Ms B before it approved the loan. It asked for details of her employment status and income. It also checked her credit file to understand her credit history and existing credit commitments. It asked about the purpose of the loan which was home improvements. From these checks combined Zopa concluded the loan would be sustainably affordable for Ms B.

I don't think these checks were proportionate in the circumstances of this case. And I note the income validation check failed as did the bank check. Ms B was agreeing to repay a large loan over a five-year period, and Zopa knew from its credit check that Ms B already had around £35,000 of unsecured debt. So she had to spend a relatively significant portion of her salary each month (£1,261.15) to repay this debt, as well as maintaining monthly mortgage payments of £1,043. I can't see Zopa took any steps to understand Ms B's non-discretionary living costs. Overall, I think Zopa ought to have carried out a fuller financial review before deciding to lend.

I have looked at Ms B's bank statements from the three months prior to her application. I am not saying Zopa had to do this but it's one way it could have better understood Ms B's finances. In the round I don't think the statements show the loan was most likely to not be sustainably affordable for her. I'll explain why.

They show Ms B's average monthly income was £6,229 and that even taking into account her mortgage, existing debt, and fixed living costs it seems Ms B would still be able to repay this loan sustainably, so without borrowing to repay or suffering some other financial harm. They don't show any of the typical signs of financial pressures such as persistent reliance on an overdraft facility, returned direct debits or the use of payday loans. Overall, I don't think Zopa ought to have made a different lending decision had it completed better checks.

It follows I don't think Zopa was wrong to arrange the loan for Ms B.

*Did Zopa act unfairly towards Ms B in some other way?*

Ms B says Zopa offered no help when she needed it due to very difficult personal circumstances. I am sorry to read what Ms B has been through and I hope she now has the support she needs, but I have not found any evidence that Zopa failed to help Ms B.

It has told us after Ms B stopped making her repayments in October 2019 she then made a 'promise to pay'. But she did not fulfil this, and did not contact Zopa again. It says it emailed Ms B on 4 February 2020 looking to try to agree a payment plan, and signposting free debt advisory services Ms B could contact, but Ms B did not engage in this process.

It is not clear from the file what the current status of the debt is but I would remind Zopa of its obligation to treat Ms B fairly, and with forbearance, ongoing. And I would urge Ms B to contact Zopa to agree an affordable repayment plan.

### **My final decision**

I am not upholding Ms B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 20 June 2023.

Rebecca Connelley  
**Ombudsman**