

Complaint

Mr T has complained about a personal loan Zopa Bank Limited ("Zopa") which he says it irresponsibly provided to him. He says the loan was unaffordable for him.

Background

Zopa provided Mr T with a loan for £1,900.00 in September 2021. This loan had an APR of 31.6% and the total amount to be repaid of £2,497.36, which included interest fees and charges of £597.36, was due to be repaid in 24 monthly instalments of around £104.06.

One of our investigators reviewed what Mr T and Zopa had told us. And she didn't think that that Zopa acted unfairly when deciding to provide this loan to Mr T and so didn't uphold the complaint. Mr T disagreed and asked for an ombudsman to review the 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 T's complaint.

Zopa needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, what this means is Zopa needed to carry out proportionate checks to be able to understand whether Mr T could afford to make his repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's 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 lender to be able to show that it didn't continue to provide loans irresponsibly.

Zopa says it approved Mr T'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 on Mr T which it considered 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 T could afford to make the repayments he was committing to. On the other hand, Mr T has said he was already in struggling and couldn't afford this loan.

I've carefully thought about what Mr T and Zopa have said.

It's clear that Zopa did obtain a reasonable amount of information before it decided to proceed with Mr T's application. And this information does appear to suggest that the loan repayments were affordable for Mr T. I accept that Mr T's actual circumstances may not have been fully reflected either in the information he provided, or the information Zopa obtained. And I know that Mr T has referred to the proportion of his existing credit limits that he was already using on his credit cards.

However, Mr T said that he was going to use this loan to consolidate some of his existing debts. And Zopa could only make a reasonable decision based on the information it had available at the time. It won't have known whether Mr T would go on to re-establish balances on any consolidated accounts – all it could do was take reasonable steps and rely on assurances from Mr T that the balances would be repaid with these funds. So I'm satisfied that the proceeds of this loan could and should have been used to reduce Mr T's existing credit balances.

Furthermore, as this was a first loan Zopa was providing to Mr T, there wasn't a history of Mr T obtaining funds and then failing to consolidate debts elsewhere in the way he committed to either. So Zopa was reasonably entitled to believe that Mr T would be left in a better position.

It's possible that if Zopa had gone into the depth of checks Mr T appears to be saying it should have – such as obtaining bank statements – it might have reached a different answer. But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements. Zopa was providing a loan for a relatively small sum – especially when compared to Mr T's income.

Given the circumstances, I'd expect Zopa to have a reasonable idea of Mr T's income and committed non-discretionary spending, which it did here, rather than a complete review of Mr T's finances. Furthermore, Mr T hasn't provided anything which clearly demonstrates further checks would have shown the loan payments were clearly unaffordable either. Indeed, I'm mindful that this loan appears to have been settled early too.

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 don't think that reasonable and proportionate checks would have extended into the level of checks Mr T is suggesting. As this is the case, I don't think that Zopa did anything wrong when arranging this loan for Mr T - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

I know that Mr T has queried how it is possible for us not to uphold this complaint when an ombudsman has already upheld a separate complaint about a loan provided a few months before this one. And I can understand why Mr T might find it strange that he's received different outcomes on complaints which he perceives to be materially the same.

But we consider complaints on an individual basis and looking at the individual circumstances. And as I've already explained, what will constitute a proportionate check will very much depend on the particular circumstances of the individual application – a proportionate check – even for the same customer - could look different for different applications.

Furthermore, I'm not bound by the outcomes reached by other ombudsmen on different cases. Ultimately, I'm required to consider the facts of a case and reach my own conclusion. That said and with a view to providing some clarity and reassurance to Mr T, it might help for me to explain that there are some key differences between this complaint and Mr T's other one.

Having looked at Mr T's other case, it's clear that he was advanced a higher amount, at a higher interest rate and total cost, over a longer term. These differing facts impacted on what it would have been proportionate for the lender to do in that case.

So while I'm not required to replicate the outcomes reached by our other ombudsmen, nonetheless I don't consider that my answer here is incompatible or inconsistent with the one Mr T received on his other case, notwithstanding the differing outcomes.

Overall and having considered everything, I'm satisfied that Zopa didn't treat Mr T unfairly or unreasonably when providing this loan to him. And I'm not upholding Mr T's complaint. I appreciate this is likely to be very disappointing for Mr T – especially bearing in mind what he's said about his other complaint. 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 T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 October 2023.

Jeshen Narayanan
Ombudsman