

The complaint

Mr H, who is represented by a third party, complains that Zopa Bank Limited ("Zopa") irresponsibly granted him a hire purchase agreement ("agreement") he couldn't afford to repay.

What happened

In March 2021 Mr H acquired a used car (costing £14,799.00) financed by an agreement from Zopa.

Under the terms of the agreement, everything else being equal, Mr H undertook to make 59 monthly repayments of £344.12 followed by 1 monthly payment of £343.87. The total repayable under the agreement was £20,646.95.

Mr H says that Zopa didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. Zopa didn't agree. It said that it considered several factors including (but not limited to) Mr H's credit profile, credit history, and the information he had submitted as part of his application before agreeing to lend. And the various checks it undertook caused it no concern.

One of our investigator's looked into Mr H's complaint and concluded that Zopa did nothing wrong in agreeing to lend.

Mr H didn't agree and so his complaint has been passed to me for review and decision.

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.

It's clear that Mr H has very strong feelings about this complaint. He has provided detailed submissions in support of his view which I can confirm I've read and considered in their entirety. However, I trust that Mr H will not take the fact that my findings focus on what I consider to be the central issues, and that they are expressed in considerably less detail, as a discourtesy. The purpose of my decision isn't to address every point raised. The purpose of my decision is to set out my conclusions and reasons for reaching them.

I would also point out that where the information I've got is incomplete, unclear, or contradictory, I've to base my decision on the balance of probabilities.

Zopa and Mr H's appointed representative will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mr H declared his annual gross income as £60,000. Zopa said it verified this (and calculated the same as equating to approximately £3,600 a month net) and I'm satisfied it did so.

Therefore, and given that Mr H doesn't dispute £60,000 was indeed his annual gross income at the relevant time, I'm satisfied that Zopa carried out and reasonable (and proportionate) checks in this respect.

I will now turn to Mr H's expenditure and the checks Zopa carried out in this respect.

Zopa said it carried out a credit check and has provided our service with a copy of that check. I've considered Zopa's credit check, and I'm satisfied that it was entitled to conclude from this check that Mr H had approximately £13,500 of unsecured debt (across 7 accounts) and that the monthly 'servicing' cost of this debt was approximately £800, and that Mr H had a mortgage debt of approximately £220,000 with a monthly servicing cost of approximately £770 a month.

I'm also satisfied that based on what Mr H declared and the outcome of its credit check Zopa was entitled to assume that each month Mr H had a disposable income of approximately £2,030 (£3,600 less £800 less £770) to meet all of his other existing expenditure (both discretionary and non-discretionary) and the proposed agreement payment of £344.12.

I'm aware that Mr H says that immediately prior to being granted finance by Zopa he had taken out a number of loans (including short term high cost ones) which although reflected (to some extent) in the credit report he has provided our service aren't reflected in the credit check undertaken by Zopa. But I'm not persuaded, based on what all the parties have said and submitted, that Zopa should have thought to question the accuracy of the credit check it undertook. I would also add that sometimes there is a delay on the part of businesses in reporting information to credit reference agencies and occasions where businesses don't report information to all of the credit reference agencies.

Finally on this point I would also add that I've seen nothing in the credit report provided by Mr H, or the credit check undertaken by Zopa, in respect of arrears, late payments and settled debt that, in itself, should have caused Zopa to conclude that it shouldn't lend.

The investigator came to the view that Zopa should have asked Mr H about his expenditure. Now given the checks undertaken by Zopa and what these checks revealed or uncovered I don't necessarily agree. But for the sake of completeness, I've gone on to consider what Zopa might have reasonably discovered had it done so.

Based on what Mr H has said and submitted, I'm of the view that had Zopa asked him about his expenditure he would have declared a sum in this respect of approximately £2,600. And such a figure, in my view, wouldn't have caused, nor should it have caused, Zopa to conclude it shouldn't lend.

I don't dispute that immediately prior to being granted finance by Zopa Mr H might have been gambling. But based on what Mr H has said and submitted I'm not persuaded that he would have declared his gambling costs to Zopa as a monthly expenditure.

Finally, and for the avoidance of doubt, I like the investigator am satisfied that Zopa was under no obligation to have requested bank statements from Mr H so I make no finding on what Zopa might have concluded, or should have concluded, had it done so.

Given what I say above I can confirm that I'm satisfied that Zopa did nothing wrong in agreeing to lend to Mr H.

My final decision

My final decision I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 August 2023.

Peter Cook
Ombudsman