

## **The complaint**

Mr B has complained that Zopa Bank Limited (“Zopa”) acted irresponsibly when it provided him with a £10,000 loan in July 2021.

## **Background**

Mr B was approved for a £10,000 loan from Zopa in July 2021. He has told us that he is a compulsive gambler and that the loan he received further increased his overall indebtedness and allowed him to gamble in a harmful and destructive way. He has said that as a self-employed person his income wasn’t guaranteed, and the bank should’ve done more checks to ensure the loan was affordable for him. He believes that if it had done increased checks it would’ve uncovered his gambling problem and would’ve refused to provide him with the loan.

Zopa has said that at the time Mr B applied for the loan it was unaware he was struggling to control his gambling. It said it ran proportionate checks in line with the obligations set out by the Financial Conduct Authority (FCA) and that these checks didn’t indicate that there were any affordability or sustainability concerns. Therefore, it doesn’t believe it was wrong to approve the loan for Mr B.

I issued a provisional decision on 25 August 2023. In it I found that there was nothing on any of the information provided by Mr B, or on his credit file, from the time he applied for the loan that would’ve indicated that it wasn’t affordable or that he’d have trouble repaying it. So, I didn’t think Zopa had acted unreasonably when it provided him with the credit.

Zopa accepted my findings, but Mr B didn’t. He responded to the provisional decision saying that he believes it should be mandatory for credit providers to review bank statements prior to providing credit. If Zopa had done this he believes it would’ve realised he was gambling in a compulsive and harmful way and wouldn’t have provided him with the loan.

## **My Findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

I understand why Mr B believes mandatory checks on bank statements should be part of all lending decisions. However, the rules set out by the FCA don’t require businesses to automatically review bank statements. So, I can’t say that Zopa did anything wrong by not asking to see these. And therefore, I can’t uphold Mr B’s complaint on that basis.

As no other points were raised in relation to the findings I reached in the provisional decision I am still of the opinion Zopa did everything it was required to do before providing the loan to Mr B and so I’m not upholding his complaint.

For the sake of fullness, I will repeat the findings from that decision here.

When Mr B applied for his loan with Zopa he declared his annual income to be

approximately £55,000 and filled out an income and expenditure form that indicated he had a monthly disposal income of approximately £1,450.

The loan was for £10,000 and had to be repaid over 48 months at just under £305 per month.

When providing credit, the rules set out by the FCA state that lenders must run proportionate checks to ensure the lending is both affordable and sustainable.

Zopa has confirmed, and provided evidence that shows, that at the time Mr B applied for his loan his credit file showed no recent missed payments, no overdraft usage and no indication that he was becoming over reliant on credit.

Mr B has provided us with bank statements that show in the month prior to applying for the loan he had started using the overdraft on his main account and was over £4,000 overdrawn. In addition, he has said that he was also using his credit cards more and that his spending was spiralling out of control.

It's important here for me to clarify that I don't doubt what Mr B has told us. From the evidence he's provided it is clear that by mid-2021 he was gambling excessively and that this was causing him financial problems. It's also true that in a very short space of time he applied for credit from a number of different lenders and so his overall indebtedness increased quickly and then became unmanageable. So, I fully understand why Mr B is so upset that he was able to secure the amount of credit he did, and why he feels Zopa should've done more to check he could genuinely afford the loan he applied for.

However, the rules surrounding what lenders need to do before providing consumers with credit, don't set out specific checks that have to be undertaken. So, for example, the rules don't say that lenders have to ask for bank statements to see how accounts are being managed. Rather the rules state that some checks need to be completed and Zopa has shown us that some checks were.

And most importantly the checks that Zopa did in July 2021 didn't show anything that would indicate Mr B may struggle to meet his monthly repayments. Zopa has provided us with a copy of the information it pulled from Mr B's credit file. This didn't show that Mr B had recently started to rely on his overdraft, despite that happening a month prior to him applying for the loan. This is because the information on our credit files isn't updated in real time but rather is updated approximately every 6 to 8 weeks. So, it can take a while for information to appear on there. Which means Zopa didn't know Mr B was as overdrawn as he was when he applied for the loan.

Indeed, there was nothing on any of the information provided by Mr B at the time he applied for the loan that would've indicated to Zopa that it wasn't affordable or sustainable for him. And because there was nothing in the checks that would've alerted Zopa that Mr B was spending in a compulsive and harmful way, I can't say it failed in its obligations when it didn't ask for more detailed information about his finances. And because I can't say Zopa failed to complete proportionate checks, I can't uphold Mr B's complaint against it.

### **My final decision**

For the reasons set out above I don't uphold Mr B's complaint against Zopa Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 October 2023.

Karen Hanlon  
**Ombudsman**