

Complaint

Mrs M has complained about a loan Zopa Bank Limited (“Zopa”) provided to her. She says the loan was unaffordable and so shouldn’t have been provided.

Background

Zopa provided Mrs M with a loan for £1,500.00 in October 2022. This loan was due to be repaid in 24 monthly instalments of £78.95. One of our investigators reviewed what Mrs M and Zopa had told us. And he didn’t recommend that Mrs M’s complaint be upheld. Mrs M disagreed and asked for an ombudsman to look at her 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 Mrs M’s complaint.

Zopa needed to make sure 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 Mrs M could afford to repay 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 lend to a customer irresponsibly.

Zopa says it agreed to Mrs M’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out a payslip it obtained from Mrs M and all of this information showed Mrs M could afford to make the repayments she was committing to. On the other hand, Mrs M has said she was in financial difficulty.

I’ve carefully thought about what Mrs M and Zopa have said.

The first thing for me to say is that Zopa has suggested it carried out credit searches which showed that Mrs M didn’t have that much in the way of existing credit commitments and what she did have was relatively well maintained – although Mrs M was using the credit she had the amount she owed was pretty low. So I don’t think that proportionate checks would have extended into Zopa finding out more about Mrs M.

I accept that Mrs M appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Zopa obtained. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the low amount borrowed, the low monthly payments and the lack of obvious indicators of difficulty in the information obtained, I don't think that Zopa's decision to lend was unreasonable.

As this is the case, I don't think that Zopa did anything wrong when deciding to lend to Mrs M - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And, in any event, I've not been provided with anything else that suggests Zopa doing even more would have prevented it from lending either.

So overall I don't think that Zopa treated Mrs M unfairly or unreasonably when providing her with her loan. And I'm not upholding Mrs M's complaint. I appreciate this will be very disappointing for Mrs M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 6 November 2023.

Jeshen Narayanan
Ombudsman