

The complaint

Miss D complains that Zopa Bank Limited irresponsibly gave her a credit card she couldn't afford to repay.

What happened

In July 2022, Miss D applied for a credit card with Zopa. She was given an initial credit limit of £600 for purchases and a further £1,000 for the sole purpose of balance transfers from existing credit cards.

In May 2023, Miss D complained to Zopa to say that it shouldn't have given her the credit. She said that she had taken out lots of other credit at the time and had it done appropriate checks before lending it would have seen she couldn't afford more borrowing.

Zopa didn't think it had acted unfairly. It said it had carried out adequate checks which didn't reveal any affordability concerns.

I sent Miss D and Zopa my provisional decision on 29 November 2023. I explained why I didn't think the complaint should be upheld. I said:

Prior to lending to Miss D, Zopa needed to complete proportionate affordability checks to ensure she would be able to afford the borrowing without getting into financial difficulty. What is considered proportionate will vary with each lending decision. In deciding what checks would be reasonable and proportionate, Zopa needed to take into account several factors such as (but not limited to): the amount borrowed, the size of any regular repayments, the cost of credit and the consumer's circumstances.

As part of the application Miss D declared that she earned an annual income of £35,000 and that she lived at home with her parents with housing costs of £250 per month. Zopa says that it used credit reference agency information to verify the income figure Miss D declared and these checks returned no concerns about the income figure.

Zopa also completed a credit check which showed that Miss D had some existing credit commitments. These were a hire purchase agreement with monthly repayments of £271, a loan with monthly repayments of £194 and that she held five revolving credit accounts (three credit cards and two mail order accounts). Her combined balances on those five revolving credit accounts was just under £4,000.

The checks revealed that Miss D did experience some repayment difficulty around two years earlier, but that there was no indication these had continued since. It also showed that in the six months prior to applying for the Zopa credit card she had successfully paid off and closed three credit cards and a loan. Of the existing open credit commitments, none of these had been opened in the last six months. This appeared to suggest that Miss D's overall reliance on credit was reducing, rather than increasing.

Taking into account what Zopa could see, it appeared that monthly repayments towards Miss D's existing credit commitments accounted for less than 30% of her monthly income. Given she also lived at home with her parents and had declared her contribution to the household costs were only £250 per month, a credit card limit of £600 (with an additional £1,000 for balance transfers) appeared to be affordable for her. She appeared to have a significant amount of disposable income available to her each month.

As there was nothing concerning on her credit file, such as signs of repayment difficulty or concerning increases in borrowing, I don't think there was any reason for Zopa to have carried out more thorough checks. For the same reasons, I don't think there was anything in the checks that it completed that ought to have caused it concerns about Miss D's ability to afford the additional borrowing. Therefore, I'm not persuaded it acted unfairly when it granted the credit to her.

Zopa accepted my provisional decision and had nothing further to add. Miss D didn't respond.

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.

As neither party has provided any further comments or evidence, I've seen no reason to reach a different conclusion to the one I reached in my provisional decision. I'm therefore satisfied that Zopa didn't act unfairly or unreasonably when it provided credit to Miss D.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 11 January 2024.

Tero Hiltunen
Ombudsman