

The complaint

Mr E complains that Zopa Bank Limited (“Zopa”) irresponsibly granted him two credit cards he couldn’t afford to repay.

What happened

In February 2022 Mr E entered into an agreement with Zopa to have access to credit by way of a credit card account. He was given a credit limit of £800. There were no credit limit increases. That card was closed in July 2022.

In September 2022 Zopa agreed to give Mr E a new card, this time with a credit limit of £1,200. Again, there were no credit limit increases.

Mr E says that Zopa didn’t complete adequate affordability checks when it opened these two accounts. He says he was already struggling financially at the time because he was gambling and borrowing money from elsewhere.

Zopa has agreed to compensate Mr E for its decision to grant him the first card in line with our approach to redress. But it hasn’t agreed to compensate Mr E for granting him the second card, saying it carried out a reasonable and proportionate assessment to check Mr E’s financial circumstances before granting him the card account.

Our investigator agreed that Zopa was right to uphold the first card and agree to compensate Mr E. But she didn’t recommend the complaint about the second card be upheld.

As Mr E didn’t agree the complaint has been passed to me for a final 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.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

Zopa 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.

I would first like to reassure Mr E that I am satisfied that he had two separate credit card accounts. I have seen evidence provided by Zopa of the first card being opened and closed and then of the second card being opened. So I think our investigator was right to consider the lending decision for each card separately.

It follows that I will only be considering the lending decision made by Zopa to grant Mr E the second card account in September 2022.

Before opening the account, I think Zopa gathered a reasonable amount of evidence and information from Mr E about his ability to repay. I say this because it completed credit and affordability checks which showed no significant adverse information. This included verifying what he was earning as well as looking into what credit he already owed. However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've reviewed the information and evidence Zopa gathered. Having done so I'm satisfied that on this occasion the checks that were completed showed that the agreement was likely to be affordable to Mr E. I say this because by this point Mr E's credit situation had improved significantly from when he'd applied for the first card. He now had only two active credit cards, one of which had a zero balance. He also had what looks to be a catalogue account which again looked to have a zero balance. So, from what I've seen, by this time Mr E had improved his financial position and appeared to be managing things well. There was no evidence of Mr E having got into recent financial difficulties by way of adverse markers on his credit file, such as missed payments or defaults. And whilst his recent credit history would have been visible to Zopa, I haven't see anything else that would have been enough to show or suggest to Zopa that he was experiencing issues, such as the impact of gambling, that might lead to a worsening or deterioration in his finances.

I've seen evidence that Mr E was continuing to make use of gambling sites after taking out this card. This can be seen from his Zopa statements and also the bank statements he's given us. Whilst this is of course a concern, given that I wouldn't have expected Zopa to be alerted to the issues Mr E had with gambling based on the checks it made, which I think were reasonable and proportionate, I therefore don't consider that it was unreasonable for Zopa to go on to grant him the second card account and opening credit limit.

It follows that, whilst I'm sorry to disappoint Mr E on this occasion, especially given the difficult financial circumstances he's been experiencing, I don't think Zopa acted unfairly when it granted him the second card. I am aware that Mr E has made a number of other irresponsible lending complaints to this service. However, as I expect he is likely to already be aware, the outcome of each complaint very much turns on its own specific facts. This includes the particular business we are looking into and the systems they have in place when approving and operating credit for consumers.

I therefore won't be requiring Zopa to do anything more.

My final decision

For the reasons set out above, I'm not upholding Mr E's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 20 May 2024.

Michael Goldberg
Ombudsman