

## **The complaint**

Mr J has complained that Zopa Bank Limited trading as Zopa acted irresponsibly when it approved him for a £6,000 loan in June 2023.

## **Background**

Mr J applied for a £6,000 loan with Zopa on 3 June 2023. He said that he has struggled with compulsive gambling and the loan was taken to fund his habit. He explained that the following day he decided to return the funds to Zopa rather than risk keeping them and gambling them away.

However, on the 9 June, just five days after returning the funds from the first loan, Mr J applied for another £6,000 loan from Zopa and was approved again. Unfortunately, this time Mr J kept the funds and has said that he lost the money gambling pretty quickly after receiving it. He says he's now in a position where he's using credit to repay existing debt and that the loan was unaffordable. He doesn't understand why Zopa approved him for the second loan without questioning what happened with the first loan. He has asked that all interest and charges associated with the loan be removed.

Zopa has said that at the time Mr J applied for both loans it ran all necessary affordability checks and based on the results of these believed the loan was both affordable and sustainable for Mr J. So it didn't think it had done anything wrong and didn't uphold his complaint.

Mr J disagreed with Zopa's findings and brought his complaint to our service. One of our investigators looked into the complaint already. He found that the checks Zopa completed were insufficient and that it should have asked Mr J for more supporting evidence before approving the loan. He felt that if this had happened Zopa would have realised how extensive Mr J's gambling spending was and wouldn't have approved the loan. So he upheld Mr J's complaint and asked that Zopa refund all the interest and charges that had been applied to the loan and rework the outstanding balance without that amount included.

Mr J accepted the investigator's findings, but Zopa didn't. It remained of the opinion that the checks it did were proportionate and there was nothing to indicate the loan was unaffordable. So, it asked for an ombudsman to review the complaint afresh.

## **My findings**

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

Having done so I agree with the findings reached by our investigator, so I'm upholding Mr J's complaint. I've set out my reasoning below.

Looking at the application completed by Mr J at the time he applied for both loans I can see his salary was declared as in excess of £3,000 each month. But his bank statements show that his actual take home pay was considerably lower at just over £1,700 per month. Zopa

has said it verified Mr J's income, but this verification was clearly incorrect. In addition to this Mr J has declared that he has no rental or mortgage repayments each month which is highly unlikely. Zopa has explained it could be that Mr J was living with his parents at the time he applied for the loan, which is why he didn't include any living costs, but I can't see that this was the case.

So, it does seem that on a very basic level the information Zopa obtained was incorrect and I think it should have done more to verify the information submitted by Mr J. There are a number of ways to do this but one of the easiest and most common ways is to review bank statements to confirm the salary payments in and see any fixed monthly debits each month.

If Zopa had done this it would have seen the level of gambling Mr J was doing each month. Mr J was regularly gambling up to 100% of his actual take home pay every month and in addition he already had a number of active loans and credit cards he was repaying each month. The combined monthly cost of his existing credit was approximately £2,400 each month. So, it seems clear to me that adding an additional almost £200 each month to repay the Zopa loan, on top of the existing combined debt of £2,400 was unlikely to be affordable for Mr J. When this is combined with compulsive gambling it is clear that the loan was also unlikely to be sustainable for Mr J. So it was inappropriate for Zopa to have approved it.

So, for those reasons I'm upholding Mr J's complaint against Zopa.

### **Putting things right**

In order to put things right Zopa Bank Limited trading as Zopa should:

- Rework the amount owed by Mr J as though no interest or charges had been added to the loan.
- Refund any payments Mr J has made in excess of the amount originally lent. Zopa should add 8% simple interest per year\* from the date of each overpayment, if there were any, to the date of settlement.
- Remove any adverse information recorded on his credit file regarding the agreement once any outstanding balance has been repaid.

\*HM Revenue & Customs requires Zopa to take off tax from this interest. Mr J must be given a certificate showing how much tax has been taken off if he asks for one.

### **My final decision**

For the reasons set out above I uphold Mr J's complaint against Zopa Banking Limited trading as Zopa.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 27 February 2024.

Karen Hanlon  
**Ombudsman**