

Complaint

Miss O has complained about a loan Zopa Bank Limited (“Zopa”) provided to her.

She says the loan was unaffordable, because of her existing debt and financial position, so she shouldn’t have been lent to.

Background

Zopa provided Miss O with a loan for £8,000.00 in December 2021. This loan was due to be repaid in 48 monthly instalments of £225.53. One of our investigators reviewed what Miss O and Zopa had told us. And he didn’t recommend that Miss O’s complaint be upheld.

Miss O 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.

Having carefully considered everything, I’ve decided not to uphold Miss O’s complaint. I’ll explain why in a little more detail.

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 Miss O’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 Miss O 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 Miss O’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, which also provided details of the amount of funds Miss O was receiving into her bank account each month. And all of this information showed Miss O could afford to make the repayments she was committing to.

On the other hand, Miss O has said she couldn’t afford the repayments.

I've carefully thought about what Miss O and Zopa have said.

The first thing for me to say is that Zopa didn't simply accept what Miss O had said at face value as it obtained information from a third party in the form of carrying out credit searches. These searches did show that Miss O had some existing credit commitments. But it's also fair to say that what Miss O did have was relatively well maintained. Miss O had previously taken out short-term lending although this had been a number of years prior to this application.

Furthermore, the information from the time also suggests that Miss O would use the funds to consolidate some of what she owed elsewhere. I don't know whether Miss O did do this. But Zopa could only make a reasonable decision based on the information it had available at the time.

It won't have known whether Miss O would consolidate some of her debts – all it could do was take reasonable steps and rely on assurances from Miss O that at least some of the balances would be repaid with these funds. So I'm satisfied that the proceeds of this loan could and should have been used to reduce Miss O's existing balances in the way she suggested.

I accept that the information provided might not have been reflective of Miss O's actual financial position. I know that Miss O says that her circumstances were worse than this, as she was struggling with gambling. I'm really sorry to hear about what Miss O has told us. And I do accept that this it is possible that Zopa might well have reached a different lending decision had it known about this.

But the key thing here I need to decide here, is not whether Miss O was gambling, it is whether Zopa knew or it ought to have known about this. And I don't think that Zopa knew, or it can be reasonably expected to have known about Miss O's gambling. In these circumstances, whilst I do sympathise with what Miss O has said and I'm not seeking to dismiss or trivialise what she's told us, it's simply the case that Zopa could not have factored this into its lending decision.

I say this particularly in light of everything else suggesting the loan was affordable. Given the amount borrowed, Miss O's income declaration appearing plausible 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 Miss O - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Zopa treated Miss O unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss O's complaint. I appreciate this will be very disappointing for Miss O. 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 Miss O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 13 March 2024.

Jeshen Narayanan
Ombudsman