

Complaint

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

She says the loan was unaffordable, because of her existing debt and the fact that she was on maternity leave at the time, and so it shouldn’t have been provided.

Background

Zopa provided Ms J with a loan for £3,500.00 in July 2022. This loan was due to be repaid in 12 monthly instalments of £417.20. One of our investigators reviewed what Ms J and Zopa had told us. And he didn’t recommend that Ms J’s complaint be upheld.

Ms J disagreed with our investigator’s assessment 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 Ms J’s complaint.

Having carefully considered everything, I’ve decided not to uphold Ms J’s complaint. I’ll explain why I’ve reached this decision in a bit more detail.

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 Ms J 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 Ms J’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 Ms J was receiving into her bank account each month. And all of this information showed Ms J could afford to make the repayments she was committing to.

On the other hand, Ms J has said she couldn’t afford the repayments.

I've carefully thought about what Ms J and Zopa have said.

The first thing for me to say is that Zopa did carry out credit searches. These searches did show that Ms J had some existing credit commitments but they weren't excessive in comparison to her declared income. It's also fair to say that what Ms J did have was relatively well maintained.

Furthermore, I've also considered what Ms J has said about her income at the time. I appreciate what she now says about what she received. But she did declare something different to Zopa. And what I have to consider is whether it was reasonable for Zopa to have relied on this declaration.

As I've explained, Zopa cross-checked Ms J's declaration against obtained information from credit reference agencies about the amount of funds going into Ms J's bank account each month. I've looked at the bank statements Ms J has provided to see the amount of funds going into her account each month. Having done so, it's clear that Ms J is in receipt of amounts consistent with the income she declared.

I accept that the funds Ms J is receiving are from more than one source and that the amounts going out of her account each month aren't low either. But the credit reference agencies were simply reporting on the amount Ms J was receiving each month, not the source of funds, or Ms J's total expenditure.

The information provided simply didn't have this level of granularity. So while Zopa didn't obtain payslips or anything like that, I don't think that it simply relied on Ms J's declaration. It took steps to understand whether Ms J's declaration was plausible. The checks suggested that it was. Therefore, I don't think that proportionate checks would have extended into Zopa finding out more about Ms J.

I accept that Ms J 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. I'm sorry to hear that she has found making her payments difficult. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount borrowed, Ms J'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 Ms J - 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 Ms J unfairly or unreasonably when providing her with her loan. And I'm not upholding Ms J's complaint. I appreciate this will be very disappointing for Ms J. 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 Ms J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 8 March 2024.

Jeshen Narayanan
Ombudsman