

The complaint

Miss H complains that Zopa Bank Limited (Zopa) lent to her irresponsibly.

What happened

In December 2021, Miss H applied for a credit card from Zopa. It was agreed with a limit of £200. In July 2023, Zopa offered to increase the limit to £600.

Date	Limit
January 2022	£200
July 2023	£600

Miss H says Zopa couldn't have completed sufficient checks. She had other debts and was in permanent overdraft with her bank. She was in financial difficulty and the credit card shouldn't have been given to her. As a result, she says was locked in a circle of debt which she can't repay. She is now depressed and on anti-depressants as a result.

She says Zopa should refund interest paid on the credit card and remove any adverse information from her credit file.

Zopa said Miss H passed all their credit checks and didn't uphold Miss H's complaint. The checks included her credit profile, credit history and affordability. Information was also obtained from credit reference agencies.

Miss H brought her complaint to us. Our investigator didn't uphold it. He said Miss H earned £28,000 per annum when she opened the account and lived in rented accommodation. Her housing costs were £300 monthly. So he said the card and the first limit were issued responsibly. He could then see the subsequent credit searches didn't show any adverse information and so the increase in limit was also responsible.

Miss H didn't agree. She sent her bank statements which showed she was in permanent overdraft – so she said Zopa couldn't have done the necessary checks. She asked that an ombudsman look at her complaint, and so it has come to me to make 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.

All lenders have an obligation to lend money responsibly. We have to check whether Zopa acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must

undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made. In this respect, I think it's reasonable for me to say that Miss H's limits were modest – and so Zopa's checks could also be less than for higher amounts.

I can see that Miss H earned just over £23,000 per annum when she applied for the credit card. And lived in rented accommodation with living costs of £300 each month – so it appears she could afford the credit card; and the subsequent increase in limit.

I can also see that Zopa looked at her other debts – as they needed to be comfortable she was paying her way. They could see she had debts of about £8,400. But all agreements were paid up to date, including a car loan which had a balance of £6,240 (included in the debts figure). So – I can see they would've been encouraged that Miss H was managing her finances well.

But her credit file (which she sent to us) also showed she had some defaults – and we would have expected Zopa to have seen this also. They would've needed to decide if that meant she couldn't manage her borrowings. But – I can see the two defaults were in 2015 and 2017 – which was at least five years before she took out the card from Zopa, and six years before the increase in the limit. And in such cases, we take the view that this is acceptable, given the passage of time since the defaults.

I can see that Miss H did miss one payment to her Zopa card in 2022. So – I need to consider if that meant Zopa should not have increased her limit. But overall, bearing in mind the overall circumstances of Miss H's situation, to miss one payment doesn't of itself mean Zopa should not have increased the limit.

Miss H has shown us her bank statements which I agree does show she was borrowing on an overdraft of up to £2,000. I considered what she's said but of itself, given her overall circumstances, I don't think that a bank overdraft should have led Zopa to decline to increase her limit.

Therefore, in summary, I'm satisfied that Zopa completed sufficient and proportionate checks when issuing the card to Miss H and then increasing her limit. I know this will be disappointing for Miss H - but I'm not asking Zopa to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 30 April 2024.

Martin Lord
Ombudsman