

The complaint

Mr L complains that Zopa Bank Limited was irresponsible in its lending to him. Mr L is represented by a third party but for ease of reference I have referred to Mr L throughout this decision.

What happened

Mr L was provided with a £5,000 loan by Zopa in February 2018. There was a £340 borrowing fee and the total amount repayable was around £6,498. The loan term was 36 months and Mr L was required to make monthly repayments of around £180.

Mr L says that Zopa didn't carry out sufficient affordability checks before the loan was provided and said he already had other debts outstanding at the time of the loan.

Zopa issued a final response dated 18 September 2023. It said before lending was provided it considered several factors including credit profile, credit history and affordability. It noted that Mr L made all of his repayments before settling the agreement early on 25 May 2019.

Mr L wasn't satisfied with Zopa's response, and his complaint was referred to this service.

Our investigator thought the checks carried out before the loan was provided were reasonable. She noted that Mr L's income had been verified and a credit check carried out which didn't show any current signs of financial difficulty. She considered the information gathered through the check and as these didn't suggest the loan to be unaffordable, she didn't uphold this complaint.

Mr L didn't agree with our investigator's view. It said that Mr L was gambling at the time the loan was provided. It said he was reliant on transfers from his other accounts and had taken out other debt before the loan was provided.

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.

Our approach to irresponsible and unaffordable lending is set out on our website and I have had this approach in mind when assessing this complaint.

There isn't a set list of checks that lenders need to complete, but they need to be borrower focussed. This means they need to consider things like the type of lending, the cost of the lending as well as the amount, how long the customer will need to make repayments for and the potential consequences of not meeting the repayments.

I have looked at the checks carried out before the loan was provided. Mr L applied for the loan saying it was for home improvements. He was recorded as being self-employed with a gross annual income of £70,000, giving a net monthly income of around £4,031. His income was verified through a credit reference agency, and a credit search carried out. The credit search showed that Mr L had total debts outstanding of £12,505 which consisted of a

£10,000 loan and £2,505 in credit card debt. His declared monthly mortgage cost was confirmed through the credit check as £760. Mr L had no adverse payment history at the time of his application. Noting the size of the loan repayment compared to Mr L's income and noting that his credit report didn't raise concerns, I find that the checks carried out before the loan was provided were proportionate.

However, just because I find the checks were proportionate that doesn't necessarily mean that the lending should have been provided. To assess that I have considered what the information gathered showed and whether this suggested the loan was affordable. I note Mr L's comment in response to our investigator's view about transfers to his account and his gambling, but as I think that the checks undertaken before the loan was provided were reasonable, I do not think that Zopa was required to request copies of Mr L's bank statements and I have nothing to suggest he informed it of any issue with gambling. Therefore I have relied on the information received through the checks and based on his verified income, mortgage and an amount for his credit commitments, I do not find that I can say this left him with insufficient funds to afford the new loan repayments and cover his other living costs. Mr L maintained his repayments until he settled the loan early.

In conclusion, based on the information provided, I do not find that the checks were unreasonable and as these didn't suggest the loan to be unaffordable, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

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

Jane Archer
Ombudsman