

The complaint

Mr K is complaining about Zopa Bank Limited because he says it lent irresponsibly when providing a loan he couldn't afford.

What happened

In October 2013, Mr K took a loan for £3,000 with Zopa. The loan was repayable over 24 months with a monthly payment of £169.

Our investigator didn't conclude the complaint should be upheld. She felt Zopa carried out an appropriate affordability assessment and that its decision to lend was reasonable.

Mr K didn't accept the investigator's assessment. He didn't provide any further comment or evidence other than to say he wanted to take things further.

The complaint has now been referred to me for review.

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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Before lending to Mr K, Zopa was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider are:

- Did Zopa complete reasonable and proportionate checks to establish Mr K would be able to repay the loan in a sustainable way?
- If so, was the decision to lend fair and reasonable?
- If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that information?

Zopa has described the information it gathered to assess whether Mr K's loan was affordable before it was approved. This included:

- information contained in his application, including residential status, employment status and his income, which was separately verified;
- information obtained from a credit reference agency (CRA), giving details of his existing credit arrangements and any past issues with credit, including missed

- payments and defaults; and
- an affordability assessment using a combination of modelled data for key expenses, along with actual data from the CRA about the cost of his existing credit arrangements.

In making his application, Mr K declared his income was £37,000 and Zopa says this was verified with a CRA going back over a period of 12 months. In respect of his commitments, Zopa's credit check showed he had existing debts totalling £3,300. It also showed he didn't have any recent defaults and was up to date with payments. I'm also conscious that the purpose of the loan was recorded as debt consolidation and, if the loan was used for that purpose, Zopa would have expected Mr K's existing debt to reduce.

After considering this information carefully, I don't think there was any indication Mr K was struggling financially at this point. He wasn't heavily indebted compared to his declared income and seemed to be managing his existing commitments well. Based on the information it obtained and what this showed, I'm satisfied Zopa's affordability assessment was proportionate in this case.

Mr K appears to be saying the declared income was incorrect. But, based on the evidence provided, I've seen nothing to suggest Zopa should have gone further than it did to check this.

In addition to concluding Zopa carried out an appropriate affordability assessment, I'm also satisfied the information obtained indicated the loan was affordable and that the decision to lend to Mr K was reasonable.

It's for these reasons that I'm not upholding Mr K's complaint. I realise this outcome will be disappointing for him, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 20 June 2024.

James Biles
Ombudsman