

## **Complaint**

Mr H has complained that Zopa Bank Limited (“Zopa”) irresponsibly provided him with a credit card, which it then increased the credit limit on, without checking his circumstances and when he was fighting a gambling addiction.

## **Background**

In February 2022, Zopa provided Mr H with a credit card which had an initial limit of £400. Mr H’s credit limit was increased to £700 June 2023.

Zopa didn’t think that it had done anything wrong when providing Mr H with his credit card or increasing his credit limit. So it didn’t uphold the complaint. Mr H was dissatisfied with Zopa’s response and referred his complaint to our service.

One of our investigators looked at everything provided and he thought that Zopa had hadn’t done anything wrong or treated Mr H unfairly. So he didn’t think that the complaint should be upheld.

Mr H disagreed with our investigator’s assessment and asked for an ombudsman to review his 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 thought about everything, I’ve decided not to uphold Mr H’s complaint. I’ll explain why in a little more detail.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Zopa needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr H could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Zopa should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mr H's complaint.

Mr H's credit card was opened in February 2023 with a credit limit of £400. Mr H's credit card, under the regulator's rules and guidance, is also known as a revolving credit facility. As this was a revolving credit facility, this meant that Zopa was required to understand whether Mr H could repay around £400 within a reasonable period of time. Not whether he could pay the entire amount in one go.

I understand that Zopa carried out a credit check before initially agreeing to provide this credit card. Zopa's credit check showed that Mr H had had some previous difficulties with his credit commitments. He had defaulted accounts and county court judgments ("CCJ") recorded against him. But this was historic as it was from 2017 and 2018.

Furthermore, Mr H appears to have been managing his more recent commitments, which weren't excessive compared to his income, reasonably well. So I don't think that the information on the credit file indicated that Mr H shouldn't have been lent to.

What is important to note is that a credit limit of £400 would have required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time. And the information I've seen in relation to what Zopa gathered in relation to Mr H's circumstances does suggest that Zopa was reasonably entitled he had the funds to make the low monthly payments required to clear such a credit limit within a reasonable period of time.

As this is the case, I'm satisfied that it wasn't unreasonable for Zopa to have agreed to open Mr H's credit card for him with a credit limit of £400.

Zopa subsequently increased Mr H's credit limit to £700 in June 2023. Zopa has said that it carried out credit searches on Mr H and considered this in conjunction with relying on Mr H's conduct and record on his credit card when deciding if it should make additional amounts available to him.

I accept that Mr H's was managing his account well (he was making payments of an amount sufficient to repay a £700 credit limit within a reasonable period of time), I don't think that this on its own was sufficient to conclude that this limit increase was affordable. However, given Mr H's external debt appears to have increased since he was initially provided with the card, I think that there is an argument that Zopa perhaps ought to have found out more about Mr H's expenditure (particularly about his actual regular living expenses) before offering these increased funds.

Zopa has been unable to evidence having done this in this instance. As this is the case, I'm not entirely persuaded that the checks it carried out before it provided the limit increase were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, I don't think that Zopa attempting to find out further information about Mr H's living costs would have made a difference here. I say this because I've not seen anything that shows me that when Mr H's committed non-discretionary regular living expenses and existing credit commitments were deducted from what he received each month, he did not have the funds to make sustainable repayments to the balances that could have been owed as a result of the limit increases.

So, in these circumstances, it's difficult for me to conclude that Zopa wouldn't have offered to increase Mr H's credit limit even if it had tried to find out more about Mr H's regular living costs at the time.

I do accept that Mr H's actual circumstances at the time were worse than what the information about his living costs shows. For example, having looked at Mr H's bank statements I can see significant gambling. It's also possible – but by no means certain – that Zopa might have decided against lending to Mr H had it seen this.

But the truth is, given the circumstances here and what Zopa needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements – especially as bank statements weren't the only way that Zopa could find out about Mr H's living expenses in the first place.

And proportionate checks certainly wouldn't have gone into the level of granularity whereby Zopa ought reasonably to have picked up on Mr H's gambling. So I don't think that Zopa was aware, or that it could reasonably have been aware, of Mr H's gambling – particularly given how he was managing his Zopa card in the lead up to the limit increase.

In reaching this conclusion I've also considered whether the lending relationship between Zopa and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Zopa irresponsibly lent to Mr H or otherwise treated him unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 August 2024.

Jeshen Narayanan  
**Ombudsman**