

The complaint

Mrs P complains that Zopa Bank Limited acted unfairly when it would not tell her why it had declined her loan application.

What happened

Mrs P applied for a loan with Zopa after being pre-approved by a third party but her application was declined. Mrs P was unhappy with the decision as she said she had an excellent credit score and by taking the loan, would reduce her monthly outgoings. Mrs P wanted to establish why Zopa had declined her application before she looked elsewhere for another loan.

When Mrs P complained, Zopa told her that after receiving additional information from her, it correctly declined her application but could not provide a reason due to “security reasons.” Zopa apologised that it made it seem that the underwriting team would not be able to speak to Mrs P.

Our investigator didn’t uphold Mrs P’s complaint. She noted that Zopa considers many factors when deciding whether to lend. As Zopa told us it could not be more specific due to security reasons, our investigator could not share further information with Mrs P. But our investigator reassured Mrs P that having reviewed Zopa’s notes, she was satisfied it had not acted unfairly when deciding not to agree the loan.

Mrs P accepted that Zopa’s underwriting criteria was commercially sensitive but did not see why Zopa could not tell her that it declined her application due to her income or employment status. Mrs P also pointed out that Zopa refused to speak with her when she called to discuss its lending decision.

After considering Mrs P’s complaint, I issued a provisional decision on 23 August 2024 which said:

I appreciate Mrs P was disappointed that Zopa declined her loan application. This service won’t usually interfere in a business’s commercial discretion. However, I can still consider whether Zopa made the decision fairly. I can also consider whether Zopa followed the Standards of Lending Practice – which sets the benchmark for good lending practice in the UK.

The Standards of Lending Practice say that where a business decides not to lend, it should, if requested, provide the main reason. Although Zopa referred to considering several factors as part of the application process, it would not be more specific due to “security reasons.” I can understand why this was of concern to Mrs P given her excellent credit score and repayment history. I don’t consider that by referring to various factors and then security reasons, that Zopa gave Mrs P the main reason for its decision.

The businesses that we cover sometimes share information with us on a confidential basis, so I asked our investigator to go back to Zopa to find out more details about

why it refused to lend to Mrs P. From reading the information that Zopa supplied, it declined Mrs P's application due to income concerns.

Although Zopa needs to keep certain information confidential, it seems to me that it could have given this explanation to Mrs P when she asked for it. Instead, Mrs P has been put to the effort of making a complaint to find out information Zopa should already have shared. I think this has left Mrs P in an extended period of concern over the reason her credit application was unsuccessful. Mrs P was also upset when Zopa mistakenly told her she could not speak with the underwriting team. In recognition of the upset caused, I am currently minded to require Zopa to pay Mrs P £100 compensation.

I am satisfied that income reasons were the main reason for the decline, so as part of resolving this complaint, I can't fairly require Zopa to say more than this. I also don't have reason to conclude that Zopa unfairly declined Mrs P's loan application.

Further submissions

Mrs P accepts my provisional decision and Zopa says it has nothing further to add.

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.

As Mrs P accepts and Zopa does not dispute my provisional decision, I consider it fair to make my final decision along the same lines.

My final decision

My final decision is that I uphold this complaint and require Zopa Bank Limited to pay Mrs P £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 8 October 2024

Gemma Bowen
Ombudsman