

Complaint

Mr S has complained about a credit card that Zopa Bank Limited (“Zopa”) provided to him. He says that he shouldn’t have been given the credit card as it was unaffordable. So it was irresponsibly provided to him.

Background

In September 2023, Zopa provided Mr S with a credit card which had a limit of £500. Mr S wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr S and Zopa had told us. And he thought Zopa hadn’t done anything wrong or treated Mr S unfairly in relation to providing the credit card.

So he didn’t recommend that Mr S’ complaint be upheld. Mr S disagreed and asked for an ombudsman to look at the 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 considered everything, I’ve decided not to uphold Mr S’s complaint. I’ll explain why in a little more detail.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr S’ complaint.

Zopa needed to make sure it didn’t lend irresponsibly. In practice, what this means is Zopa needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we don’t think that it is necessarily unreasonable for a lender’s checks to be less detailed – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Zopa says it agreed to Mr S’ application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr S would be able to make the relatively low monthly repayment required to clear the balance that could be owed within a reasonable period of time.

On the other hand Mr S says that he shouldn’t have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr S was provided with a revolving credit facility rather than a loan. And this means that Zopa was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £500 required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen records of the information Zopa obtained from Mr S about his income. I also understand that Mr S' declaration was cross checked against information from credit reference agencies on the amount of funds going into Mr S bank account each month. This information indicated that Mr S was receiving funds consistent with his declaration. As this is the case, I'm satisfied that it was reasonable for Zopa to rely on Mr S' income being what he said it was.

Furthermore, the credit search also showed that Mr S' existing commitments were up-to date and what he owed wasn't excessive bearing in mind his validated income. So, on the face of things, the information Zopa gathered did suggest that Mr S could afford to make the relatively low monthly payments required for this card and that it was reasonable to lend in these circumstances.

For the sake of completeness, I'd also add that it is not apparent to me that Zopa carrying out additional checks, which at the absolute maximum would have consisted of finding out more about Mr S' living expenses rather than relying on estimates of this, would, in any event, have led to Zopa making a different decision.

I say this because I've not seen anything to indicate that Mr S' actual living costs made the monthly payments required for this card unaffordable. In other words, if I substitute the actual living costs I've seen for Mr S, for the estimates Zopa used, add them to the credit commitments Zopa saw and then deduct this from his validated income, he still had enough left over to make the payments that could be due on this credit card.

I accept Mr S argues that his actual circumstances were worse than what the information gathered showed. For example, I've seen that in his original complaint to Zopa Mr S has referred to other credit which he took out after this credit card. But Zopa wouldn't have known that Mr S would go on to do this and therefore couldn't factor this into its assessment of his ability to make the payments he would have to make if he used this credit card.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr S might have been unfair to Mr S under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Zopa irresponsibly lent to Mr S or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything I don't think that Zopa treated Mr S unfairly or unreasonably in approving his credit card application and providing him with a credit card. Therefore, I'm not upholding this complaint. I appreciate this will be very disappointing for Mr S. 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 S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 December 2024.

Jeshen Narayanan
Ombudsman