

## **Complaint**

Mr D has complained about a personal loan Zopa Bank Limited (“Zopa”) which he says it unfairly lent to him. He says that this loan was provided when he already had significant existing debts and poor credit and he couldn’t afford to take on this extra commitment.

## **Background**

Zopa provided Mr D with a loan for £8,000.00 in April 2023. This loan had an APR of 21.4% and the total amount to be repaid of £11,586.49, which included interest fees and charges of £3,586.49, was due to be repaid in 48 monthly instalments of around £241.39.

One of our investigators reviewed what Mr D and Zopa had told us. She thought that Zopa hadn’t acted unfairly and didn’t recommend that the complaint be upheld. Mr D disagreed and asked for an ombudsman to review 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.

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 D complaint.

Having carefully considered everything, I’m not persuaded to uphold Mr D’s complaint. I’ll explain why in a little more detail.

Zopa needed to take reasonable steps to ensure that 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 D could afford to make his repayments before lending to him.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – 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 irresponsibly.

Zopa says it approved Mr D application after he provided details of his monthly income and some information on his expenditure. It also carried out a credit search which showed Mr D’s existing commitments were relatively well maintained at the time of the application.

In Zopa’s view all of the information it gathered showed that Mr D could afford to make the repayments he was committing to. On the other hand, Mr D has said he was already in significant debt and couldn’t afford this loan.

I've carefully thought about what Mr D and Zopa have said.

It's clear that Zopa did obtain a reasonable amount of information before it decided to proceed with Mr D application. This information does appear to suggest that Mr D had some existing debts. But I'm afraid that I don't agree that these were excessive especially given the loan purpose Mr D declared. And it is also worth noting that Mr D didn't have any significant adverse information – such as defaulted accounts or county court judgments recorded against him.

I'm also mindful that Mr D said that he was going to consolidate some of his existing borrowing too. This meant that if Mr D had consolidated some of his borrowing as he said he would, he had the potential to reduce what he was paying going forward rather than increase what he paid he month.

Furthermore, Zopa could only make a reasonable decision based on the information it had available at the time. It won't have known whether Mr D would go on to repay his debts, or even if he did whether he might re-establish balances on any credit repaid - all it could do was take reasonable steps and rely on assurances from Mr D that at least some of his existing credit would be repaid with these funds.

So I'm satisfied that the proceeds of this loan could and should have been used to clear some of Mr D's existing credit – for example his credit cards, which would have left him with payments that would reduce what was owed more rapidly in a way that wouldn't have happened if Mr D had made the minimum repayments on his credit card. Equally, as this was a first loan Zopa was providing Mr D with, it was reasonably entitled to believe that Mr D would be left in a better position.

I accept that Mr D says that his actual circumstances at the time were worse than what the information Zopa obtained showed. I know that Mr D has said that if Zopa had done more – such as requesting his bank statements - it would have seen this. However, the rules, regulations and guidance do allow a lender more scope for accepting what a prospective borrower says about their circumstances, where it is reasonable to do so.

For example, in circumstances where the borrower's credit history doesn't show any significant existing adverse information – such as defaulted accounts or county court judgments ("CCJ") – recorded against them. Or where there isn't anything in the information that has been gathered which is wholly inconsistent or difficult to explain.

In this case, I don't think that there was anything immediately obvious in the information that Zopa had, including Mr D's existing credit history, which meant it should've asked Mr D to provide supporting evidence, such as bank statements, before providing him with a consolidation loan. So given the circumstances here and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr D is now suggesting should have been carried out.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr D might have been unfair to Mr D 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 D 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.

Overall and having considered everything, I don't think that Zopa did anything wrong when lending to Mr D - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. Therefore, I'm not upholding this complaint. I appreciate this is likely to be very disappointing for Mr D. But I hope he'll understand the reasons for this decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr D's complaint, I would remind Zopa of its continuing obligation to exercise forbearance and due consideration, given what Mr D has said about having difficulty making his payments.

I would also encourage Mr D to get in contact with and co-operate with any steps that may be needed to review what he might, if anything, be able to repay going forward. Mr D may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with Zopa's actions in relation to exercising forbearance over the remainder of the term.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 7 January 2025.

Jeshen Narayanan  
**Ombudsman**