

## **The complaint**

Mr P complains that Zopa Bank Limited was irresponsible in its lending to him. He wants all interest and fees charged on the lending refunded along with interest and any adverse information removed from his credit file.

Mr P is represented by a third party but for ease of reference I have referred to Mr P throughout this decision.

## **What happened**

Mr P raised a complaint with Zopa about two loans. The first was a £10,000 loan Mr P was approved for by Zopa in August 2023, which he withdrew from. The second was a £5,000 loan that Mr P applied for in January 2024. Mr P says that he had other debts outstanding at the time of the lending and that adequate checks weren't carried out to ensure that the Zopa loans were affordable.

Zopa issued a final response dated 19 July 2024. It said that before lending it completes a credit worthiness assessment using data from the credit reference agencies, along with information provided by the customer, data it holds internally and other relevant third-party data. It said that when Mr P applied for the loan in August 2023, he said he was employed with an annual income of £62,750. It said his credit file showed credit commitments of £6,033 for credit card borrowing and £5,325 for other unsecured borrowing. Mr P declared his housing costs as £1,000. It found that based on estimates for his non-discretionary spending the loan repayments were affordable. Zopa explained that Mr P exercised his right to withdraw from the loan within the cooling off period and the loan was cancelled with no interest or fees charged.

Mr P was provided with a second loan in January 2024, for £5,000. At this time Mr P's income was still recorded as £62,750 a year and his credit check showed outstanding credit card balances of £4,426 and £25,711 in other unsecured debt. Mr P declared housing costs of £1,000. Zopa found that based on estimates for his non-discretionary spending the loan repayments were affordable for Mr P. Therefore it didn't uphold his complaint.

Mr P referred his complaint to this service.

Our investigator thought the checks carried out before the lending was provided were reasonable. As these suggested the lending was affordable, he didn't uphold this complaint.

Mr P didn't agree with our investigator's view. He said that given the agreement was repayable over 60 months further checks should have been carried out and had these happened, Zopa would have realised Mr P was paying over £2,000 a month for a mortgage and £566 for another loan. He said that adequate checks would have shown the lending to be unaffordable.

## **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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

The August 2023 loan that Mr P was approved for by Zopa, he withdrew from and therefore the loan was cancelled, and no interest or fees charged. Therefore, I haven't considered this loan any further.

Mr P applied for a second loan in January 2024. The loan was for £5,000 repayable over 60 monthly instalments of £132.31 with a total amount repayable of £7,938.55. As part of the loan application information was gathered about Mr P's employment, income and residential status. Mr P said he was employed full time with an annual income of £62,750 and was a house owner with a mortgage. A credit check was carried out which recorded Mr P as having an overdraft, three credit cards with outstanding balances on them which totalled £4,426 and two loans (one with a balance of £73 and one with a balance of £24,820). Mr P's total repayments for his existing credit commitments were recorded as £903.20. Mr P declared housing costs of £1,000.

Noting the size of the loan and the repayments compared to Mr P's declared income, and that there was no adverse data recorded on Mr P's credit file, I find that the checks carried out were proportionate. That said, I have considered the comments made about Mr P's housing costs. The credit data Zopa gathered showed the mortgage repayments as £2,117. However, the credit check also showed the same mortgage in Mr P's financial associate's details which supports the mortgage being in joint names. Based on this, Mr P's declared mortgage costs of £1,000 appear reasonable. I also note that the statements Mr P has provided don't have payments for the mortgage amount, rather payments to another party which also suggests household costs including the mortgage were split. As the checks carried out by Zopa showed the loan to be affordable, I do not find I can say it was wrong to provide this to Mr P.

I note the comment Mr P has made about having another large loan at the time and I can see this was taken out shortly before the Zopa loan. But as the cost of this was included in the assessment and I do not find the information gathered through the checks raised concerns at the time about Mr P's ability to manage his finances, I do not find this changes my decision that the checks showed the Zopa loan to be affordable.

I've also considered whether Zopa Bank acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether its relationship with Mr P might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Zopa lent irresponsibly to Mr P or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or

reject my decision before 27 January 2025.

Jane Archer  
**Ombudsman**