

## **The complaint**

Mrs B complains that Zopa Bank Limited acted irresponsibly when it provided her with a credit card account. She wants all interest and charges refunded and offset against her outstanding balance and to be allowed to repay the outstanding balance in an affordable way.

## **What happened**

Mrs B was provided with a credit card account by Zopa in August 2022. The credit limit was set at £500. Mrs B said that adequate checks weren't carried out before the credit card was provided and the credit wasn't affordable. She said that her credit report at the time showed she was struggling to manage her existing credit commitments and she had only recently closed a loan account with Zopa. She said her income and expenses weren't verified and instead an automated system approved her application. She said she had contacted Zopa in the six months prior to the credit card being provided to explain her financial struggles and that she was vulnerable.

Zopa issued a final response to Mrs B's complaint in June 2024. It said that when assessing a credit application, it considered several factors including the applicant's credit profile, credit history and affordability. It didn't uphold her complaint.

Mrs B said she had provided sufficient evidence to Zopa to support her case and she didn't think this had been properly reviewed. She referred her complaint to this service.

Our investigator considered the checks that Zopa carried out before the credit card account was provided and the results of these. He noted that Mrs B had said she was self-employed with an income of £32,000 and was renting with monthly rental payments of £300. He saw the results of the credit check undertaken and didn't think these meant further checks were required.

Our investigator noted Mrs B's comment about her previously informing Zopa of her financial difficulties in April 2022. However, he said that the loan Mrs B had at that time was repaid early in July 2022 which he thought suggested she was no longer in financial difficulty. He also noted Mrs B's comment about her gambling issues but said that Zopa wasn't aware of these.

Taking everything into account our investigator thought the checks carried out before the credit card account was opened were reasonable. As these didn't suggest the lending to be unaffordable, he didn't uphold this complaint.

Mrs B didn't agree with our investigator's view. She asked for evidence of the information Zopa had relied on including its credit check results and how her income had been verified. She explained that as she was self-employed her income and expenses could change month on month and that no evidence of her regular expenditure was gathered and so the affordability of the credit couldn't have been properly assessed. Mrs B said she had provided evidence that her current accounts were in overdraft and that she was using around 95% of the combined £7,000 limit and had been in a sustained overdraft for over three years. She

thought that had adequate checks been carried out Zopa would have realised she was reliant on her overdraft to meet her regular expenses and that she had taken out multiple credit cards in the months leading up to this application. She said she had showed Zopa she wasn't managing her debts and didn't think it responsible that it still provided her with more credit. Mrs B said the repayments on the credit card account were never affordable.

Our investigator issued a second view dated 19 December 2024 saying that his position hadn't changed. He explained that the checks a finance provider needed to carry out before lending depended on the type and amount of credit being applied for. He said in this case, even if Zopa hadn't verified Mrs B's income, given the credit information gathered and the level of risk attached to a £500 limit, he didn't think this was needed. He noted Mrs B's comment about her overdraft usage and said this would have been included in the assessment of her overall indebtedness. He said the credit check showed no arrears on Mrs B's accounts and he thought it reasonable that Zopa had relied on Mrs B's declared housing costs and then third-party data to estimate her other outgoings. He didn't think Zopa was required to request copies of Mrs B's bank statements or carry out any further checks.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue a decision.

### **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.

Mrs B was provided with a credit card account with a £500 credit limit which wasn't increased. This is a relatively low credit limit and while it is reasonable to accept that proportionate checks may be less detailed than if a higher credit limit was provided, they still needed to ensure that the lending would be affordable for Mrs B.

Before lending, Zopa gathered information about Mrs B's employment, income and housing costs. Mrs B's application included information that she was self-employed with an income of £32,000 and was renting with monthly housing costs of £300. Zopa has said that each application submitted is referred to a credit reference agency to validate the customer's income. It explained that if the income check against declared income fails the application would be referred to its underwriting team. Given the size of the credit limit being provided, I find this reasonable.

Zopa carried out a credit check which showed Mrs B had other active accounts at the time. All of her accounts were up to date. Mrs B's credit card accounts were within their credit limits (which totalled £3,000). I note Mrs B's comment about her overdrafts and her credit check showed that she had overdrafts on both of her current accounts, one with a balance of £2,491 (against a limit of £2,500) and one with a balance of £4292 (against a limit of £5,000). As Mrs B was managing these accounts within the limits, I do not think this is enough to say that Zopa shouldn't have lent to her. However, I find that the costs associated with this needed to be considered as part of the affordability assessment.

Mrs B has said that as a full income and expenses assessment wasn't carried out Zopa couldn't say that the lending was affordable. However, as set out above, there isn't a specific set of checks that need to be undertaken but the checks need to be proportionate to the lending being provided. In this case the lending was a credit limit of £500 on which monthly repayments would be around £25. Zopa has said that it doesn't ask for a customer to complete a full income and expenditure assessment but instead it asks for housing costs and then uses third party data to estimate other expenses. I acknowledge Mrs B doesn't think this was adequate, but given the size of the borrowing, the repayments required, and that Mrs B's credit check showed she was managing her existing commitments, I do not think that further verification of her expenses was needed. In this case, I find it reasonable to rely on the information Mrs B provided about her housing costs and estimates for her other expenses.

As I think the checks carried out were proportionate, I have then considered what these identified. Having looked through the information gathered, I find the checks suggested the lending to be affordable.

Mrs B has also noted that she had previous contact with Zopa while she had a Zopa loan and that she had explained she was in financial difficulties. I would expect Zopa to take into account all information available to it, including notes on Mrs B's account. I have looked at the correspondence Mrs B had with Zopa in the months leading up to this application. I can see she contacted Zopa in January 2022 and explained she had needed to cancel work following a bereavement and this had affected her ability to make payments to her creditors. Zopa responded and on 1 February 2024, asked whether Mrs B was able to maintain her payments. Mrs B responded in April 2024, asking that her May payment date be adjusted and said that while she was struggling, she hoped to be able to pay off the loan without further difficulties. There were delays in Mrs B being responded to and a complaint raised. Following this Mrs B confirmed she had been able to change her repayment date to suit her financial position and that she didn't require further assistance. Mrs B then repaid her loan early. So, while Mrs B had contacted Zopa about her financial difficulties following her bereavement it isn't clear that this was an ongoing situation.

Taking everything into account, I do not find Zopa acted irresponsibly by considering Mrs B's credit card application. And given the credit limit being provided, I find the checks carried out before the lending was provided were proportionate. As these didn't suggest the lending to be unaffordable, I do not find I can uphold this complaint.

I've also considered whether Zopa Bank Limited acted unfairly or unreasonably in some other way given what Mrs B has complained about, including whether its relationship with Mrs B might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Zopa lent irresponsibly to Mrs B or otherwise treated her 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 Mrs B to accept or reject my decision before 19 February 2025.

Jane Archer  
**Ombudsman**