

The complaint

Mr C has complained about a loan Zopa Bank Limited provided to him. He says the loan was unaffordable and therefore shouldn't have been given to him.

Mr C is represented in bringing his complaint, but for ease I've written as if we've dealt directly with him throughout.

What happened

In September 2021 Mr C applied online for a £24,000 fixed sum loan with Zopa. The interest rate was fixed at 14.1% per annum, and the total repayable was £32,952.27. He had to make 60 monthly repayments of £549.20.

In June 2024, Mr C complained to Zopa to say the loan should never have been provided to him. Zopa didn't think it had acted unfairly when lending to Mr C.

Our investigator didn't recommend the complaint be upheld. She thought Zopa's lending decision was fair even though she thought it should have done more to verify Mr C's income and asked about more of his expenditure.

Mr C didn't agree, so the complaint has been passed to me to decide.

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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

Mr C declared on the application he was employed and earned an annual salary of £42,000. He said he wanted the loan to consolidate existing debts, and that he was a homeowner with a mortgage.

Zopa said it verified Mr C's income using credit reference agency data, and it carried out an affordability assessment using the information Mr C declared about his housing costs (£250) and payments to creditors from his credit report. It said that left sufficient funds for Mr C's other living expenses, which Zopa said it had estimated using statistical data. CONC allows businesses to use statistical data to estimate a customer's non-discretionary expenditure

unless they have reasonable cause to suspect that the data might not be reasonably representative in the customer's specific situation.

I haven't seen any reason that Zopa might have thought Mr C's non-discretionary expenditure might significantly differ from statistical data. His credit report shows he'd not defaulted on any accounts or missed any payments to creditors. Although he had unsecured debts showing on his credit report totalling around £18,200, they were all being well-managed, with no indicators of any difficulties and he said he was borrowing this money to consolidate those debts.

As this was Mr C's first loan with Zopa, I'm satisfied that it was reasonably entitled to believe that Mr C would settle his existing debts with the proceeds from this loan as that is what he said the purpose of the loan was when he applied for it. And that it wouldn't be increasing Mr C's existing indebtedness in a way that was unsustainable or otherwise harmful. I can see Mr C used all but around £800 of the loan to repay debts as there was another loan he held that didn't show on Zopa's credit check; he repaid £12,290 and £9,960 in loans, and £960 in credit card debt, with all three accounts being closed.

Mr C has said he was in a cycle of debt, constantly refinancing over the years. Whilst that can be a concern if the level of debt is increasing each time, here I'm satisfied that Mr C paid off and closed around £23,200 of existing debt when he took out this £24,000 loan so Zopa didn't increase Mr C's existing indebtedness in a way that was unsustainable or otherwise harmful. It may be that wasn't the case with other debt consolidations Mr C undertook, but here I'm satisfied Zopa lent responsibly when considering Mr C's credit history and what actually happened in terms of the debts this replaced. At the time he took out this loan, Mr C's current circumstances appeared stable and well-managed based on the information Zopa received from the credit check it undertook.

Our Investigator said Zopa should have done more to verify Mr C's income and so she obtained copies of his bank statements so she could evidence for herself what Mr C was earning at the time. His bank statements showed an average net monthly income of £2,570 (taken from June, July and August 2021) which broadly aligns with the £42,000 Mr C had declared on the application. Whilst his outgoings were higher than he'd declared (such as £850 towards his housing costs, rather than £250) the information about his essential living costs shown on his statements don't demonstrate that this new loan of £549 a month would have been unaffordable and/or unsustainable.

So overall I don't think that Zopa treated Mr C unfairly or unreasonably when bringing about his agreement. In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr C might have been unfair to Mr C under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I don't think Zopa irresponsibly lent to Mr C or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm therefore not upholding Mr C's complaint.

I appreciate this is likely to be very disappointing for Mr C but I hope he'll understand the reasons for my decision.

My final decision

I don't uphold this complaint.

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

Julia Meadows
Ombudsman