

Complaint

Mr H has complained about a credit card Zopa Bank Limited ("Zopa") provided to him. He says the credit card was irresponsibly provided to him as it was unaffordable.

Background

Zopa provided Mr H with a credit card which had a credit limit of £1,000.00 in August 2023. Mr H wasn't provided with any credit limit increases.

One of our investigators reviewed what Mr H and Zopa had told us. And he thought Zopa hadn't done anything wrong or treated Mr H unfairly when providing the credit card. So he didn't recommend that Mr H's complaint be upheld.

Mr H 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.

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 H's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr H's complaint. I'll explain why in a little more detail.

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 H 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 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 to a customer irresponsibly.

Zopa says it agreed to Mr H's application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr H would be able to make the low monthly repayments due for this credit card. On the other hand Mr H says that he was already struggling and shouldn't have been provided with this credit card.

I've considered what the parties have said.

What's important to note is that Mr H 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 £1,000.00 could be repaid within a reasonable period of time, rather than in one go. It's fair to say that a credit limit of £1,000.00 didn't require especially large monthly payments (in comparison to Mr H's income) in order to clear the full amount that could be owed within a reasonable period of time.

Furthermore, I've seen records of the information Zopa obtained from Mr H about his income and that was on the credit search carried out. The credit checks suggested that Mr H's active balances were low. However, I am mindful that Mr H did have previous difficulties with credits in the form of defaults – albeit I accept that these were historic.

Equally, when reasonable repayments to the credit that showed on the credit check are combined with the £523 a month Mr H declared for his living costs, he did appear to have sufficient left over to make the payments that could be required on this credit card. So there is a reasonable argument for saying that it wasn't unfair for Zopa to lend based on this information.

In any event, even if I were to conclude that the checks carried out weren't sufficient, I don't think that Zopa would have made a different decision even if it had asked Mr H for more information. I say this because at the absolute most it could be said that Zopa ought to have done more to find out more about Mr H's actual living costs rather than rely on the £523 a month Mr H declared for this.

However, I've not been provided with anything at all to show that when Mr H's committed regular living expenses and existing credit commitments were deducted from his income, he did not have the funds, at the time at least, to sustainably make the repayments needed to clear the amount he could owe within a reasonable period.

And without clear evidence that doing more would have prevented Zopa from lending, I simply don't have sufficient evidence to reasonably conclude that this is the case. This is especially as Mr H's credit limit was never increased above the £1,000.00 initially granted.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr H might have been unfair to Mr H 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 H or otherwise treated him unfairly in relation to this matter. 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.

Consequently I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. 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 H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 April 2025.

Jeshen Narayanan

Ombudsman