

The complaint

Miss M complains that Zopa Bank Limited was irresponsible in its lending to her.

What happened

Miss M was provided with two loans by Zopa the details of which are set out below.

Loan	Amount	Date	Term	Monthly repayments
1	£4,000	November 2020	36 months	£153.74
2	£10,000	June 2022	60 months	£241.77

Miss M said that the loans were unaffordable and shouldn't have been provided. She said she had other loans and credit card debts at the time, and she has had to take out more debt to make her repayments.

Zopa issued a final response dated 14 October 2024. It said that before lending it carried out creditworthiness checks considering information provided by the applicant along with data from credit reference agencies, third-party statistical data, and information it may hold internally. It said that based on its checks the loans were affordable for Miss M. It noted that the loans were intended for debt consolidation.

Miss M referred her complaint to this service.

Our investigator thought the checks carried out before the loans were provided were proportionate. She considered the information received through these checks, and noted the loans were intended for debt consolidation. Based on this she thought that the lending decisions were fair.

Miss M didn't agree with our investigator's view. She noted that our investigator had suggested she had disposable income of around £1,000 before taking out loan two but said this wasn't accurate.

Our investigator responded to Miss M's comments and explained the basis for her calculations. Miss M didn't agree that the figures used in the calculations were a true reflection of her actual costs.

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.

Miss M was provided with two loans by Zopa and I have considered each lending decision below.

Loan 1: £4,000

Loan one required Miss M to make monthly repayments of around £154 over 36 months. Before the loan was provided, Zopa asked Miss M about her employment, income, rent/mortgage costs and the purpose of the loan. Miss M said she was employed full time with an annual income of £39,000 (giving a calculated net monthly income of around £2,504). Miss M said she was an owner occupier with mortgage costs of £300 and that the loan was to consolidate her debts.

A credit reference tool was used to validate Miss M's income and a credit check was undertaken to assess her existing credit commitments. The credit check showed Miss M had five credit card accounts, a mail order account and a bank account as well as five outstanding loans and a mortgage. The total amount repayable for her credit commitments excluding the mortgage was around £1,552. Her credit report didn't raise any concerns about how Miss M was managing her commitments with no adverse information recorded on her credit file. As Miss M's credit file didn't raise concerns and noting the purpose of this loan, I think the checks carried out were reasonable.

I have considered whether the information received through the checks raised concerns that meant the loan shouldn't have been provided. Miss M's existing credit commitments accounted for a substantial amount of her net monthly income, and while noting this loan was intended for debt consolidation, I think it important to assess how this would impact her overall financial position. Miss M's monthly income repayments for her existing credit commitments before this loan accounted for around £1,552. Deducting this and Miss M's declared mortgage costs of £300 would leave her with disposable income of around £652 for her other costs. Having looked through the amounts Miss M was paying towards her existing commitments, this loan could have reduced her monthly credit costs which would have increased her disposable income.

While I accept that Miss M wasn't left with a high amount of disposable income after her costs, taking everything into account including the purpose of this loan, I do not find I can say that Zopa acted irresponsibly by providing loan one.

Loan 2: £10,000

Loan two was provided in June 2022 and required Miss M to make 60 monthly repayments of around £242. As this was Miss M's second loan with Zopa, it had information available to it about how she had managed her first loan. Having looked at Miss M's loan one account statement, this showed that she made all her payments without issue and repaid the loan early in February 2022. I do not find this suggested any issue with the first loan or raised concerns about how Miss M managed her account.

Before loan two was provided, Zopa gathered information about her employment, income, rent/mortgage costs and the purpose of the loan. Miss M said she was employed full time with an annual income of £39,000 giving a calculated monthly income of round £2,517 and she declared her rent/mortgage payments of £300. A credit reference tool was used to validate Miss M's income and a credit check was undertaken to assess her existing credit commitments.

The credit check showed Miss M had four credit card accounts, a mail order account and a bank account as well as five loans. Her monthly repayments to her credit commitments accounted for around £1,210 and Miss M said the loan was intended to consolidate her debts. Considering the purpose of the loan and that Miss M's credit report didn't raise any concerns about how she was managing her accounts, I think the checks carried out were reasonable.

I have considered whether the information received through the checks raised concerns that meant the loan shouldn't have been provided. Miss M's existing credit commitments accounted for a substantial amount of her net monthly income, and while noting this loan was intended for debt consolidation, I think it important to assess how this would impact her overall financial position. Miss M's monthly income repayments for her existing credit commitments, based on the credit check information received by Zopa and before this loan, accounted for around £1,210. Deducting this and Miss M's declared mortgage costs of £300 would leave her with disposable income of around £1,000 for her other costs. Having looked through the amounts Miss M was paying towards her existing commitments, this loan could have reduced her monthly credit costs which would have increased her disposable income.

In conclusion, for the reasons set out above I do not find in this case I can say that Zopa was wrong to provide the loans. Therefore, I do not uphold this complaint.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Miss M has complained about, including whether its relationship with her might have been unfair 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 Miss M 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.

I can see that Miss M contacted Zopa December 2024 to explain that she was struggling with her payments however the live chat was ended. She then called Zopa in January 2025 and a payment plan was set up. I find this was a reasonable response by Zopa. I understand that Zopa has been trying to contact Miss M about the direct debit for this payment plan and I would urge Miss M to get in touch with Zopa about this if this hasn't already happened.

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 Miss M to accept or reject my decision before 14 April 2025.

Jane Archer
Ombudsman