

Complaint

Miss B has complained about a credit card Zopa Bank Limited (“Zopa”) provided to her. She says the credit card as well as the limit increase were irresponsibly provided.

Background

Zopa provided Miss B with a credit card with an initial limit of £1,200.00 in December 2022. Miss B’s limit was never increased.

One of our investigators reviewed what Miss B and Zopa had told us. And she thought Zopa hadn’t done anything wrong or treated Miss B unfairly. So she didn’t recommend that Miss B’s complaint be upheld.

Miss B 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 Miss B’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss B’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 Miss B 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 initially agreed to Miss B’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss B would be able to make the low monthly repayments due for this credit card.

On the other hand Miss B says that she shouldn’t have been lent to.

I’ve considered what the parties have said.

What's important to note is that Miss B was provided with a revolving credit facility rather than a loan. This means that to start with Zopa was required to understand whether a credit limit of £1,200.00 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £1,200.00 didn't require especially monthly payments in order to clear the full amount owed within a reasonable period of time.

Miss B declared that she was full time employed and in receipt of an annual income of £75,000.00. Zopa cross-checked Miss B's declaration against information from credit reference agencies on the amount of funds that she was receiving into her main bank account each month. This suggested that Miss B's declaration wasn't unreasonable or implausible. So I think that Zopa was entitled to rely on it.

Zopa's credit check did indicate that Miss B had had previous difficulties with credit in the form of defaults. But it's fair to say that these were historic as they were from more than three years prior to this application. Most importantly, I don't think that this means that Miss B shouldn't have been lent to in the way that she suggests. This is particularly as Miss B's non-mortgage active commitments weren't high in comparison to her validated income.

In these circumstances, I don't think that it was unreasonable for Zopa to rely on what Miss B said about her income and her living costs, particularly in light of the relatively low monthly repayments that would be required to repay £1,200.00 within a reasonable period of time.

For the sake of completeness, I'd also add that even if I were to conclude that the checks carried out weren't sufficient, I don't think that Zopa would necessarily have made a different decision even if it had asked Miss B for more information. I say this because at the absolute most it could be said that Zopa ought to have asked Miss B more about her actual living costs rather than relied on estimates (or assumptions) of this.

However, I've not been provided with anything to indicate that Miss B's regular living costs were significantly more than what she declared. More importantly, I've not been provided with anything that clearly shows that Zopa using Miss B's actual living costs would show that she didn't have the funds to make the repayments she could have to make on this credit card.

Overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that Zopa that it shouldn't have provided this card to Miss B.

In reaching this conclusion I've also considered whether the lending relationship between Zopa and Miss B might have been unfair to Miss B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Zopa irresponsibly lent to Miss B or otherwise treated her 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. I'm therefore not upholding this complaint.

So overall while I can understand Miss B's sentiments, I don't think that Zopa treated Miss B unfairly or unreasonably when providing her with her credit card. And I'm not upholding this complaint. I appreciate this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 14 April 2025.

Jeshen Narayanan
Ombudsman