

The complaint

Mr H complains that Zopa Bank Limited lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

Mr H applied for a Zopa credit card in May 2022. In his application, Mr H said he was employed with an annual income of £19,500. Mr H also said he was renting his home at a cost of £430 a month. Zopa carried out a credit search and found some historic defaults and arrears but Mr H's existing debts were all up to date with no evidence of recent missed payments. The credit file data Zopa has submitted to this service shows Mr H had two credit cards with balances totalling £1,279, a mail order account with an outstanding balance of £937 and a communications account with a balance of £468. Zopa says it also applied an estimate for Mr H's regular living expenses and applied that to the application. After applying its lending criteria Zopa approved Mr H's application and issued a credit card with a limit of £300.

Mr H used the credit card Zopa sent him. In April 2023 Zopa contacted Mr H and said he could request to increase the credit limit to £600. The credit limit was increased to £600.

Mr H's payments fell behind and the account was ultimately closed at default in January 2024. Last year, representatives acting on Mr H's behalf complained that Zopa lent irresponsibly and it issued a final response. Zopa said it had carried out the relevant lending checks before approving Mr H's application and later increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr H's complaint. They thought Zopa had completed reasonable and proportionate checks before agreeing to lend and weren't persuaded its decision to proceed was unreasonable. The investigator didn't uphold Mr H's complaint. Mr H's representatives asked to appeal and pointed out his credit file showed several missed payments in the months before the credit limit increase was approved. Mr H's representatives also said he exceeded his credit limits 10 times, taken a short term loan and taken cash advances. As Mr H's representatives asked to appeal, his complaint has been passed to me to make 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.

Before agreeing to lend or increasing the credit limit, the rules say Zopa had to complete reasonable and proportionate checks to ensure Mr H could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;

- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the application information Zopa used above. I'm satisfied Zopa took Mr H's income of £19,500 a year and monthly rent of £430 into account when considering whether to lend. Zopa's final response said Mr H had a total outstanding unsecured balance of £1,279 but the application data it's sent us shows that the debts I've set out above, totalling £2,684, were actually recorded on his credit file. I can see Mr H had some older defaulted debts and missed payments. But none of the commitments that remained active had recent arrears and were well maintained. I haven't seen anything on the credit file results Zopa obtained that indicated Mr H was struggling financially or overcommitted. Zopa's also confirmed it applied an estimate for Mr H's regular outgoings for general living expenses to the application before deciding whether to lend.

I also think it's reasonable to note that the initial credit limit Zopa was considering was reasonably modest at £300 which limited the risk of causing Mr H financial harm. Overall, I think the evidence Zopa obtained showed Mr H was able to sustainably afford repayments to a new credit card with a limit of £300. I'm satisfied the level and nature of checks Zopa completed were proportionate to Mr H's new credit card and its decision to proceed was reasonable based on the information it obtained. I'm sorry to disappoint Mr H but I haven't been persuaded Zopa lent irresponsibly.

The credit limit was increased to £600 in April 2023. By this point, Mr H had built a strong track record with Zopa after making all his monthly repayments on time. I note Mr H cleared the balance in full in February 2023 which indicated to Zopa he was able to clear the balance. I can see from the credit file provided by Mr H's representatives he did miss some payments in the preceding months. But Zopa's confirmed there were no current missed payments on Mr H's credit file it obtained at the point it increased the credit limit which is in line with its lending criteria. Mr H's representatives said he'd taken short term lending before the credit limit increase but that information wasn't found on his credit file by Zopa either. I also think it's reasonable to note Mr H's unsecured debts remained around the same level.

Again, the level of credit being offered was reasonably low at an additional £300, taking the total credit limit to £600. That meant Mr H's monthly repayments remained at a reasonably modest level. Overall, I'm satisfied the level and nature of checks Zopa carried out before increasing the credit limit were reasonable and proportionate to the amount and level of credit limit increase it went on to approve. In my view, the decision to approve Mr H's credit limit was reasonable based on the information Zopa had available. I'm very sorry to disappoint Mr H but I haven't been persuaded that Zopa lent irresponsibly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship 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 Mr H or otherwise treated him unfairly. 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.

My final decision

My decision is that I don't uphold 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 9 June 2025.

Marco Manente
Ombudsman