

## The complaint

Miss C complains that Zopa Bank Limited lent to her when she could not afford it.

## What happened

Miss C took two loans from Zopa.

Loan	Approved	Amount	Repayment terms	status
1	3 November 2019	£4,500 + fee £280	£143 x 48 months	Repaid early 9 March 2022
20 month gap in lending				
2	7 January 2024	£5,000	£170 x 48 months	open

Miss C says that both loans were for debt consolidation. Miss C recently has told us that from 1 May 2025 she has set up a debt management plan for all her debts (DMP).

Miss C complained to Zopa in August 2024 and received its final response and did not uphold her complaint. At the Financial Ombudsman Service one of our investigators considered the merits of the complaint and thought that Zopa had not lent irresponsibly. Miss C disagreed and so the complaint was 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance, and good industry practice - on our website. And I've used this approach to help me decide Miss C's complaint.

Zopa needed to make sure it didn't lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Miss C 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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

## Loan 1

Loan 1 was approved after Miss C had applied saying to Zopa that she earned £20,500 a year before tax which it verified and translated into £1,456 each month before tax.

Miss C had told Zopa that she was renting at £200 a month. Zopa carried out a credit search. Miss C had total unsecured debt of £6,951. The debt was made up of credit cards, mail order and telecom contracts, which Zopa calculated was costing Miss C around £322 each month to pay the minimum repayments on the cards and to pay off the other committed costs. There were no records of any insolvency issues or any defaulted accounts or late payments, arrears, payment plans or delinquency.

I think the £322 plus the £200 rent would have left Miss C with enough left over income for other general costs of living expenses plus the loan cost of around £143 each month.

Zopa carried out proportionate checks and applied the information it gathered fairly and I do not uphold the complaint about loan 1.

## **Loan 2**

Loan 1 was repaid early in March 2022 and then it was around 20 months later that Miss C approached Zopa again. She was applying for a £5,000 loan to consolidate debts.

A call took place between the Zopa representative and Miss C on 10 January 2024 during which it had to verify certain parts of her credit history and the reason for the application. I have listened to that recorded call.

Miss C's income was verified by Zopa by asking for, and receiving, the December 2023 payslip for her employment. She received £2,500 gross basic pay and in December 2023 had received a bonus of £2,723. In fairness to Zopa it did not use that month's total net income of £3,628 as that would have included the bonus. It used the net figure of £2,017 each month.

It carried out a credit search. Miss C had total unsecured debt of £13,059 which included a sum of around £3,700 being a hire purchase agreement. Her total repayment costs for all of her credit commitments were calculated by Zopa to have been around £849 each month. Miss C had put on the application form and had confirmed on the telephone that she planned to use the £5,000 to consolidate debt. Zopa likely factored that into the calculations. Likely it would have brought her total monthly debt costs down or at the very least they would have remained about the same including the Zopa loan. There were no records of any insolvency issues or any defaulted accounts or late payments, arrears, payment plans or delinquency.

Miss C had declared she was renting but Zopa had no figure for that cost. However, it was aware of that.

Miss C has said:

*A deeper assessment should have flagged that additional borrowing would likely worsen my financial position rather than improve it.*

Zopa calculated that Miss C's left over income after paying off the HP and other loan and credit card costs, and having factored in the likely debt consolidation, Miss C would have had between £1,000 and £1,150 each month for other costs such as food, petrol, rent and bills. Zopa would have considered that enough.

And I disagree that Zopa would have considered that the loan likely would have worsened the financial position Miss C was in as she had confirmed to it twice that she wanted to use it for debt consolidation.

Miss C has sent to us her personal credit file record. But personal credit reports often show different snapshot of the situation to the credit reports regulated businesses obtain. What I am satisfied with is that Zopa additional information over and above that which Miss C had given it, and which it applied and made a fair lending decision after proportionate checks.

I've also considered whether Zopa acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss C 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 do not uphold the complaint.

### **My final decision**

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 30 June 2025.

Rachael Williams  
**Ombudsman**