

Complaint

Ms K has complained about a credit card Zopa Bank Limited (“Zopa”) provided to her. She says credit card was irresponsibly provided as it was unaffordable for her.

Background

Zopa provided Ms K with a credit card with a limit of £200 in December 2021. The limit on the credit card was never increased.

One of our investigators reviewed what Ms K and Zopa had told us. And she thought Zopa hadn’t done anything wrong or treated Ms K unfairly in relation to providing the credit card. So she didn’t recommend that Ms K’s complaint be upheld.

Ms K 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 Ms K’s complaint.

Having carefully considered everything, I’ve decided not to uphold Ms K’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 Ms K 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 Ms K’s application after it obtained information on her income as well as her monthly living costs and also carried out a credit search on her. And the information obtained indicated that Ms K would be able to make the low monthly repayments due for this credit card. On the other hand Ms K says that she shouldn’t have been lent to as she had defaulted accounts as well as a county court judgment (“CCJ”) recorded against her and was in a poor financial position.

I've considered what the parties have said.

What's important to note is that Ms K was provided with a revolving credit facility rather than a loan. This means that Zopa was required to understand whether a credit limit of £200 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £200 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Zopa obtained from Ms K about her income and what was on the credit search carried out. Zopa says that Ms K declared a salary of around £19,000.00 a year and that she paid rent of £300 a month. Zopa's credit check did indicate that Ms K had had previous difficulties with credit in the form of defaulted accounts. However, these appeared to be historic and the credit search also showed that Ms K had a relatively low amount of active credit.

In these circumstances, I don't think that Ms K's previous difficulties mean that she shouldn't have been lent to in the way that she suggests. Ultimately, it was up to Zopa to decide whether it wished to accept the credit risk of taking on Ms K as a customer provided it was reasonably entitled to believe that the credit was affordable and it reasonably mitigated the risk of harm to her going forward. I'm satisfied that Zopa did mitigate this risk by providing Ms K with an extremely low credit limit to begin with.

I accept that Ms K says her actual circumstances at the time were worse than what the information Zopa obtained and that she was taking out payday loans and she had county court judgments ("CCJ") recorded against her. I'm sorry to hear to hear about Ms K's difficulties.

However, Zopa's credit check showed that the last of Ms K's payday loans was taken out almost two years prior to this application. I can't see the CCJs on the credit search. Nonetheless, the information Ms K has provided shows that her most recent one was from over a year prior.

As this is the case, Zopa doesn't appear to have been aware of any recent payday loans that Ms K had taken or the CCJs. So it couldn't have factored this into its assessment. In any event, given how long it had been since the most recent CCJ and the amount of the credit limit being provided, I don't think that knowing about this would have led Zopa to decide against lending to Ms K.

I've noted that Ms K has said that Zopa acted unfairly by recording a late payment marker against her. From what I've seen, Zopa reported a late payment to credit reference agencies after Ms K's October 2023 payment was late. I appreciate Ms K may have been late making other monthly payments and that Zopa may have decided against recording late payments against Ms K for them, as the payment concerned was made on the next working day. However, it appears that in October 2023 Ms K's payment was around three weeks late.

While I appreciate why Ms K may be unhappy at this late payment being recorded against her and she is concerned about its impact, nonetheless Zopa is required to report accurate information to credit reference agencies. As this the case and the October 2023 payment was much later than previous ones, I don't think that it was unfair for Zopa to report this late payment in the circumstances that it did.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Ms K might have been unfair to Ms K 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 Ms K 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. So I'm not upholding this complaint.

Overall and having considered everything, while I can understand Ms K's sentiments and I'm sorry to hear about her situation, I don't think that Zopa treated Ms K unfairly or unreasonably. So I'm not upholding this complaint. I appreciate this will be very disappointing for Ms K. 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 Ms K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 12 May 2025.

Jeshen Narayanan
Ombudsman