

The complaint

Mr S complains Zopa Bank Limited (Zopa) acted irresponsibly in agreeing to lend to him. And that they'd failed in sending him correspondence about his account.

What happened

In October 2021 Mr S applied for a credit card account with Zopa. His application was successful and Zopa applied a credit limit of £200. No further credit limit increases were applied. Mr S said Zopa didn't carry out any affordability checks before they agreed to lend to him. He also said the interest charged was too high, they hadn't provided him with monthly statements or told him that he'd missed payments. Mr S complained to Zopa.

Zopa said they'd carried out an affordability assessment before agreeing to lend to Mr S. They also said Mr S had been made aware of their interest charges when he signed his credit agreement. Zopa said they issue a monthly statement and had tried to engage with Mr S through direct correspondence to his home address and by email.

Mr S wasn't happy with Zopa's response and referred his complaint to us.

Our investigator said the checks Zopa carried out were proportionate and based on these their lending decision was fair. Zopa had shown they'd kept Mr S informed about his account and the actions they took.

Mr S didn't agree and asked for his complaint to be referred to an ombudsman 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.

I appreciate Mr S will be disappointed by my decision. But having done so I'm not upholding his complaint. I'll explain why.

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 Mr S' complaint.

Zopa needed to make sure it didn't lend irresponsibly. This means Zopa needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay any credit they provided. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. 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.

Mr S applied for a credit card account and Zopa provided him with a revolving credit facility rather than a loan. For this Zopa was required to understand whether a credit limit of £200 could be repaid by Mr S within a reasonable period, rather than in one go. A credit limit of

£200 required relatively low monthly payments, I'd consider around £10 a month to clear the full amount, if the full amount was drawn down, within a reasonable period.

I can see that Zopa did check Mr S' affordability before they agreed to lend to him. I've seen the information Zopa obtained from Mr S about his income and what was on the credit search carried out. Zopa says that Mr S said he was self-employed with an annual salary of £45,880. He was a private tenant with housing costs of £480. Their credit search showed that Mr S had taken out other credit prior to his application to Zopa. But it showed his balances were low and up to date. One account was in dispute. I think Zopa recognised this as they offered a low initial limit. And they haven't offered any further credit limit increases.

Given the low amount being lent I'm satisfied Zopa's checks for the lending they provided were proportionate. And based on these their lending decision was fair as it was most likely Mr S would be able to sustain the small monthly repayments.

Mr S said he didn't get any correspondence to his home address, but the address Zopa has for Mr S is the same as the address we hold. Zopa has also shown that the credit card account is generally managed through their app with communication made by email. Zopa's records show that Mr S was managing his credit card account well until January 2024, and that he'd been making his repayments to the account up to December 2023, around two years. So, I've no reason to doubt Zopa had issued monthly statements to Mr S as these would have shown his outstanding balance and the minimum amount he needed to pay. Zopa has also shown they sent emails to Mr S about the running of his account and his missed payments.

Mr S' application was an online automated process, with the credit agreement signed electronically. Zopa has provided a copy of the credit agreement Mr S signed on opening the credit card account. And I'm satisfied this clearly shows the interest rate applied to the account and how this is calculated. The agreement also explains the fees that would be charged when a payment is missed or when the account goes above its agreed credit limit. So, in signing the agreement Mr S had agreed to Zopa's terms. As this is an automated process, I haven't seen any evidence that Zopa would or could have been aware of any health issues Mr S had at the time.

So, I'm satisfied Zopa has acted fairly and reasonably in their actions with Mr S providing him with clear information about the agreement he was entering. And by keeping him informed about his account.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr S might have been unfair to him under Section 140A of the Consumer Credit Act 1974. But, for the reasons I've explained, I've not been persuaded that Zopa irresponsibly lent to Mr S or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything I don't think that Zopa treated Mr S unfairly or unreasonably in approving his credit card application or their subsequent actions with him. I appreciate this will be very disappointing for Mr S as I can see he is struggling with his wellbeing. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 May 2025.

Anne Scarr
Ombudsman