

The complaint

Mr S complains that Zopa Bank Limited have irresponsibly lent to him.

What happened

Mr S was approved for a Zopa credit card in March 2023 with a £2,500 credit limit. He says it was irresponsible for Zopa to approve his application based on his credit history, the number of accounts he had recently opened, and his gambling addiction. Mr S made a complaint to Zopa.

Zopa initially did not uphold Mr S's complaint. They said their lending decision was appropriate and proportionate. Mr S sent Zopa further evidence of his circumstances around the time of the Zopa application, and Zopa agreed to uphold Mr S' complaint. They agreed to refund any fees/interest/charges, amend his credit file and pay him £5 as a gesture of goodwill. Mr S brought his complaint to our service.

Our investigator felt Zopa's offer was fair as it was in line with what he would have asked them to do if he had upheld his complaint. Mr S asked for an ombudsman to review his complaint. He made a number of points. In summary, he said Zopa have admitted the lending was irresponsible so he shouldn't have to repay money that had been lent to him, especially as the funds were used for gambling, which Zopa would have realised if they had carried out proper checks. He wanted his repayments to be refunded, the outstanding balance to be written off, and compensation for distress and inconvenience.

Mr S said that between 27 January 2023 – 7 March 2023 he had taken out nine credit agreements totalling £27,600. He said in the same timeframe he had gambling transactions totalling over £25,000 which would have shown on a simple credit check or open banking. He wanted an ombudsman to review the lending 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.

Firstly, I'm aware that I've only summarised Mr S' complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve the credit available to Mr S, Zopa needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Zopa have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Zopa said they did when initially approving Mr S' application. Zopa said they looked at information provided by a Credit Reference Agency (CRA) and information that Mr S had provided before approving his application.

Mr S declared a gross annual income of £45,000. He had active unsecured outstanding balances being reported from the CRA of £6,355. I've considered what Mr S has said about the number of recent credit agreements he had taken out, but most of these accounts weren't reflected in the information that Zopa received, so I can't fairly say that they would have been aware of the numerous accounts he had recently opened.

Credit files can typically take 4-6 weeks to be updated, so this may be why the CRA didn't report all of Mr S' recent lending. The CRA reported that Mr S was not in arrears on any of his accounts, and there were no defaults reported by the CRA that Zopa used. While the CRA reported that Mr S had a bank account, this showed he wasn't overdrawn at the time of the checks.

There was no information from the CRA about any transactions on the bank account, so while I can empathise with what Mr S has told us about his gambling, I can't fairly say that Zopa would have been aware of this. There is no regulatory requirement for each lender to use open banking as part of the checks they complete for every lending decision, as this wouldn't be proportionate. And Zopa did not use open banking as part of their checks here.

So it would appear to Zopa that Mr S had a debt to income ratio of 14.12%. The £2,500 credit limit would be around 5.6% of his declared gross annual income. So based on the information Zopa received and the checks they completed, it would not have been proportionate here for them to have completed further checks. So I can't conclude it would be fair for Zopa to write off the outstanding balance as their checks were proportionate and based on the information, it would have appeared to them they made a fair lending decision.

I wouldn't have upheld Mr S' complaint about irresponsible lending, based on the reasons I've given above. But Mr S provided Zopa with further information, and they have now upheld his complaint, so I'm satisfied that it would still be fair for Zopa to carry out the actions they have proposed.

But it's not proportionate for Zopa to write off the outstanding balance or refund Mr S' payments based on the checks not showing any signs of financial difficulty, so I'm not persuaded that they could have foreseen that Mr S' financial situation was a lot different to what the checks showed, or that he had a gambling addiction. Again, I can empathise with Mr S' circumstances here, but I need to be fair to both sides, and as the checks didn't show any financial difficulty, I won't be asking Zopa to write off the outstanding balance or pay Mr S any compensation for distress and inconvenience.

Zopa's offer is in line with what I would have asked them to do if I would have upheld his complaint (although I wouldn't have instructed them to pay a £5 gesture of goodwill). I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress Zopa has offered to pay results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

Zopa Bank Limited has already made an offer to resolve Mr S' complaint as follows:

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

Pay Mr S £5 as a gesture of goodwill.

Arrange an affordable repayment plan with Mr S for the remaining amount. Once Mr S has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

I think this offer is fair in all the circumstances. So my decision is that Zopa Bank Limited should settle the complaint as they've offered to above (but only if they haven't already done so). But I don't require them to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 August 2025.

Gregory Sloanes
Ombudsman