

Complaint

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

Background

Zopa provided Miss K with a credit card with a limit of £400 in June 2022. The limit on the credit card was never increased.

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

Miss 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 Miss K’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss 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 Miss 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 Miss 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 Miss K would be able to make the low monthly repayments due for this credit card. On the other hand, Miss K says that she shouldn’t have been lent to as she was in a poor financial position.

I’ve considered what the parties have said.

What's important to note is that Miss 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 £400 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £400 required relatively low 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 Miss K about her income and what was on the credit search carried out. Zopa says that Miss K declared an annual salary of £32,000.00, lived with parents and paid £200 a month towards housing costs. Zopa's credit check did indicate that Miss K had had previous difficulties with credit in the form of defaulted accounts. However, these appeared to be historic as they were from 2020 and the credit search also showed that Miss K only really had a hire-purchase agreement as her active credit at the time.

In these circumstances, I don't think that Miss 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 Miss 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 Miss K with a low credit limit to begin with.

I accept that Miss K says her actual circumstances at the time were worse than what the information Zopa obtained and that she had exceeded credit limits on her revolving credit commitments. I'm sorry to hear to hear about Miss K's difficulties.

However, there was nothing on Zopa's credit check to indicate that Miss K had been over the limit on her existing revolving credit accounts in the lead up to this application. As this is the case, Zopa doesn't appear to have been aware of this and I cannot reasonably say that this is something that it ought to have factored into its assessment.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Miss K might have been unfair to Miss 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 Miss 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.

Overall and having considered everything, while I can understand Miss K's sentiments and I'm sorry to hear about her situation, I'm satisfied that Zopa carried out proportionate checks before providing this credit card to Miss K. So I don't think that Zopa treated Miss K unfairly or unreasonably and I'm not upholding this complaint. I appreciate this will be very disappointing for Miss 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 Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 21 July 2025.

Jeshen Narayanan
Ombudsman