

The complaint

Miss S complains that Zopa Bank Limited (“Zopa”) irresponsibly provided her with a loan she couldn’t afford and it didn’t conduct sufficient affordability checks whilst she was struggling financially.

What happened

Zopa provided Miss S with a loan for £16,300 on 28 January 2022. The terms of the loan meant it was to be repaid over 48 months at an APR of 10.51%. This meant that Miss S would be paying £413 a month with a total repayable of £19,857.

On 27 November 2024, Miss S complained to Zopa that it had lent to her irresponsibly whilst she was struggling financially and was on reduced pay whilst off work. Miss S has also disclosed some sensitive personal issues that was impacting her at the time. She felt that Zopa hadn’t conducted sufficient checks and if it had, her financial situation would have been obvious and the loan shouldn’t have been provided.

Zopa didn’t uphold Miss S’s complaint so she referred it to us.

Our investigator thought Zopa had conducted proportionate checks and had made a fair lending decision to offer the loan to Miss S.

As Miss S disagreed with this outcome the case has been passed to me to make a 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.

Having done so, I’ve reached the same conclusion as that of our investigator and for broadly the same reason and I’m satisfied that this complaint shouldn’t be upheld.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

Zopa will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Having carefully looked at everything provided by both parties, I've decided to not uphold Miss S's complaint. I've explained why below.

Zopa's decision to lend to Miss S

Zopa needed to make sure that 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 S could afford to repay the loan she had applied for before granting it.

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 agreed to Miss S's application after she provided details of her employment and salary and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and by using national statistical data. In Zopa's view all of this information showed Miss S could afford to make the repayments she would be committing to. And from the evidence I've seen from Miss S's credit file there was no recent adverse information prior to the applications such as defaults or delinquencies.

On the other hand, Miss S has said she was in financial difficulty and was facing a gradual reduction in pay after being off work sick.

I've carefully thought about what Miss S and Zopa have said.

Zopa didn't just simply accept what Miss S said. It carried out credit searches which showed that Miss S appeared to be managing her finances well. I don't think that it was unreasonable for Zopa to rely on Miss S's declarations after it confirmed her income and expenditure with the credit reference agency it used and using national statistical data, which suggested that the repayments were affordable. I say this as from the information Zopa gathered and the evidence I've seen, Miss S was left with a disposable income of around £337 a month and this was after taking into consideration the new monthly loan repayment of £413. So I think a repayment of around £413 a month, in the absence of any concerning evidence, appeared affordable especially as Miss S stated the purpose of the loan was debt consolidation. So I would have expected her overall monthly credit repayments to have further reduced after the loan was granted.

Miss S told us that when she applied for the loan, she was off work sick and her pay had been gradually reducing. However, I haven't seen any evidence that Miss S made Zopa aware of this fact until she raised her complaint.

I accept that Miss S appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Zopa

obtained. Miss S told us she was struggling financially at the time of the application and has also shared some sensitive personal information which I'm grateful for.

However, I've not seen any evidence that Miss S didn't make Zopa aware of this until she made her complaint to it and nor would it have been evident from the information it obtained. I'm sorry to hear about what Miss S told us was happening in her personal life at the time and I hope her circumstances have since improved.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount of the monthly repayments, the disposable income that appeared to be left each month, the fact the loan was for debt consolidation (which meant her credit debt repayments would reduce) and the lack of other obvious indicators of an inability to make the monthly repayments in the information Zopa did obtain, I don't think that reasonable and proportionate checks would have extended into requesting the information that would have shown Miss S's personal issues at the time.

At best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Miss S's regular living costs. And I don't think that conducting a full financial review – which was really the only way that it might have been able to find out the full extent about Miss S's circumstances - was the only way that Zopa could have done this. But I think going as far as this would have been disproportionate given the circumstances. So I don't think Zopa needed to go as far as requesting bank statements to check for example. And given the fact that Miss S wanted this loan for debt consolidation, I'm not sure she would have disclosed her full financial situation in the knowledge that if she had, the loan may not have been approved.

As this is the case, I don't think that Zopa did anything wrong when deciding to lend to Miss S - it carried out proportionate checks (albeit I accept that Miss S doesn't agree that these went far enough) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Zopa treated Miss S unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss S's complaint. I appreciate this will be very disappointing for Miss S as I can see that she feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind Zopa of its obligation to exercise forbearance and due consideration should it intend to collect on any outstanding balance on Miss S's loan, considering what she's said about her current financial position and experiencing financial difficulty.

Did Zopa act unfairly in any other way

I've also considered whether Zopa acted unfairly or unreasonably in any other way, including whether the relationship between Miss S and Zopa might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Zopa lent irresponsibly to Miss S 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.

My final decision

For the reasons given above, I'm not upholding Miss S's complaint against Zopa Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 8 October 2025.

Paul Hamber
Ombudsman