

The complaint

Mr W complains that Zopa Bank Limited lent to him irresponsibly.

What happened

In April 2022 Mr W applied for a credit card with Zopa. Zopa approved the application and gave Mr W a card with an initial credit limit of £300. In October 2022 the credit limit was increased to £900 and in June 2023 the credit limit was increased to £1200.

Mr W complained to Zopa. He said he shouldn't have been given the card or the subsequent credit increases because it was unaffordable for him.

Zopa didn't uphold the complaint. It said it had completed proportionate checks to assess affordability.

Mr W remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that Zopa had carried out reasonable and proportionate checks and that the lending decisions were fair.

Mr W said he agreed with the investigators findings on the account opening and first credit limit increase, but he didn't agree with the investigators findings on the second credit limit increase.

Because Mr W didn't agree I've been asked to review the complaint.

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.

Our approach to complaints about unaffordable and irresponsible lending including the relevant rules, guidance and good industry practice are set out on our website. I've used this approach to help determine Mr W's complaint.

Having carefully considered everything I've decided not to uphold Mr W's complaint. I'll explain why.

Did Zopa carry out reasonable and proportionate checks to make sure that Mr W could repay the loan in a sustainable way?

Zopa needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should've carried out proportionate checks to make sure Mr W could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount and the customer's income and expenditure.

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 a lender needed to more if, for example, a borrower's income was low, or the amount lent was high. And the longer a 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 borrower irresponsibly

Account opening

When Mr W applied for the loan, Zopa carried out an income and expenditure assessment. Mr W told Zopa that he had an annual income of £41,000. He also declared rent payments of £900 per month. Zopa used statistical information from the ONS to estimate Mr W's outgoings and expenses. It calculated that Mr W had sufficient disposable monthly income to afford the repayments on the level of credit it was offering.

Zopa also carried out a credit check. This showed that Mr W had £226 in outstanding credit card debt, £949 in other unsecured borrowing and £88 owing to a mail order company. There was nothing on the credit check to suggest that Mr W was overly reliant on credit, or that he was unlikely to be able to sustainably repay the credit.

I've considered all of this information. Having done so, I think the checks carried out by Zopa were proportionate and that it had obtained enough information to make a responsible decision on whether to lend to Mr W.

Credit limit increase 1

Prior to increasing the credit limit to £900, Zopa carried out a further credit and affordability check. Zopa took into account Mr W's declared annual salary and used the information provided by Mr W about his outgoings as well as ONS information to estimate Mr W's outgoings.

The credit check showed that Mr W had £820 in other unsecured borrowing. There was nothing on the credit check to suggest that Mr W was overly reliant on credit, or that he was unlikely to be able to sustainably repay the credit.

Credit limit increase 2

Prior to increasing the credit limit to £1200, Zopa carried out a further credit and affordability check. Zopa took into account Mr W's declared annual salary and used the information provided by Mr W about his outgoings as well as ONS information to estimate Mr W's outgoings. The credit check showed that Mr W had £1425.00 in other unsecured borrowing.

The credit check showed no missed payments or defaults in the last 12 months. All of Mr W's credit accounts were up to date and being managed well. There was nothing on the credit check to suggest that Mr W was overly reliant on credit, or that he was unlikely to be able to sustainably repay the credit.

I've considered all of this information. Having done so, I think the checks carried out by Zopa prior to both of the credit limit increases were reasonable and proportionate and that it had obtained enough information to make a responsible decision on whether to lend to Mr W.

If the checks were reasonable and proportionate, was the lending decision fair?

I've thought about whether Zopa made a fair lending decision based on the information it had gathered and what it knew about Mr W's circumstances.

Account opening

The income and expenditure assessment showed that Mr W's monthly income covered his housing costs, household expenses and existing credit commitments. There was a significant amount of disposable income left each month which left enough to manage the credit repayments without causing financial difficulties.

The credit check showed that Mr W had several well managed credit accounts. There were no missed payments, no defaults, no CCJ's and no adverse information recorded or anything to suggest that Mr W wasn't managing his finances properly.

Based on everything I've seen, I think the checks carried out by Zopa were reasonable and proportionate and that the lending decision was fair.

Credit limit increases 1 and 2

I've reviewed the credit checks prior to each credit limit increase and I can't see anything about Mr W's use of the credit card which would've given Zopa cause for concern. The account was well managed. Mr W was making payments each month which were in excess of the minimum monthly payment.

The credit checks show that Mr W was managing his other credit accounts well. All accounts were up to date and there was nothing to indicate that Mr W was overly reliant on credit, or that he was having to contribute what might be considered a disproportionate amount of his income towards paying debt.

Mr W has made the point that prior to the second credit limit increase he had missed a payment on the Zopa card in February 2023. He's also explained that he paid off the Zopa balance in February 2023 having taken out a high interest loan with another credit provider.

I've reviewed the information from Mr W's credit file. Having done so, I can see that the status code for the Zopa card for every month prior to the second credit limit increase is "0" which indicates no missed payments. This is because Mr W made up the full payment in February 2023, and due to the overall time window, no adverse information was recorded on Mr W's credit file. Even taking into account the fact that Mr W had missed a payment in February 2023, this was around 5 months prior to the second credit limit increase, and I don't think this would've been a reason for Zopa not to approve the increase.

I've taken into account the other points made by Mr W but these haven't altered my decision.

Based on everything I've seen, I think the checks carried out by Zopa were reasonable and proportionate and that the lending decision was fair. I haven't seen anything in the information provided to give me reason to think that Zopa should've carried out further checks, or that the lending shouldn't have been approved.

I've also considered whether Zopa acted unfairly or unreasonably in any other way, including whether its relationship with Mr W might have been unfair under section 140 of the Consumer Credit Act 1974.

However, for the reasons I've set out above, I haven't seen anything to suggest that this was the case.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 29 July 2025.

Emma Davy
Ombudsman