

The complaint

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

What happened

Mr H complains about the following loans he has with Zopa:

	Date	Amount	Loan term	Repayment
Loan 1	6 January 2020	£15,000	48 months	£443.08
Loan 2	7 January 2021	£1,0000	36 months	£37.67

On 12 January 2024, Mr H complained to Zopa saying it had failed to conduct proper checks on his applications, and had it done so, it ought to have refused to lend to him. He said he was already in a lot of debt with credit cards and his *“level of debt was consistently rising”*. Mr H asked Zopa to refund all interest and charges plus statutory interest at 8% simple and for the defaults and late payment markers to be removed from his credit file.

Zopa looked into Mr H's complaint and issued a final response letter. It said it had assessed the information Mr H had provided in his application as well as his credit profile, credit history and affordability. It said it had based its decision *“on information given in the application itself and obtained from various Credit Reference Agencies”*. It didn't uphold his complaint.

Mr H was unhappy with Zopa's response, so he referred his complaint to our service. One of our investigators looked into it. He said he would have expected Zopa to look more closely at Mr H's application for Loan 1 but that if it had done so, it would have been likely to reach the same decision to lend. And he felt Mr H's application for Loan 2 had been assessed as he would expect. Our investigator didn't think Zopa had acted unfairly by lending to Mr H and didn't uphold his complaint.

Mr H didn't agree with our investigator, so as there was no agreement, his complaint has been referred to me for a final 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Zopa needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr H irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Zopa carry out reasonable and proportionate checks to satisfy itself that Mr H was in a position to sustainably repay the loans?

- If not, what would reasonable and proportionate checks have shown at the time?
- Did Zopa make fair lending decisions?
- Did Zopa act unfairly or unreasonably towards Mr H in some other way?

Zopa had to carry out reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the loans sustainably. It's not about Zopa assessing the likelihood of it being repaid, but it had to consider the impact of the loan repayments on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

Loan 1

Did Zopa carry out reasonable and proportionate checks?

In his application for this loan, Mr H declared he was employed full time on £23,000 with a net income of £1,597. He said he had an additional income of £9,000 per year. His residential status was listed as *"owner – no mortgage"*.

When Zopa checked his credit file, it noted Mr H had three credit cards and a loan elsewhere. Repayments to these amounted to £340 and he was managing those facilities appropriately. The credit file showed he had a County Court Judgement (CCJ) which was registered in March 2015 but had been satisfied in December 2016.

Zopa says Mr H's application passed all its *"upfront credit and affordability checks"* and it verified his income through a credit reference agency, so his application was agreed automatically.

Given Mr H's committed expenditure to his other creditors and the amount required to pay Loan 1 totalled almost half his income of £1,597, I would have expected Zopa to take a closer look at his expenditure to ensure the loan would be affordable. I can't see that it carried out any particular assessment of his expenditure and therefore I don't feel it conducted a reasonable and proportionate check.

What would reasonable and proportionate checks have shown at the time?

It's not possible to reconstruct exactly what Zopa might have found had it done more checks and there is no set list of what it should have looked at. But we do have statements for Mr H's main bank account for three months prior to the application, and I think these will present a reasonable picture of his financial circumstances at the time.

I can see the account is a joint account and it shows his quoted income as well as that of his partner which it appears he'd listed as the additional income on the application. The account was run exclusively in credit and shows Mr H had sufficient disposable income after his essential expenditure to meet the new loan repayment.

Mr H has provided us with more detail about some transactions on his bank statements and his residential status. But this information won't have been available to Zopa when it assessed his application, and I wouldn't have expected it to have asked. It is generally accepted that a business can rely on what it is told on an application, unless there is good reason for it to suspect that information is not correct or complete. I think it was entitled to rely on what it saw on the application.

So taking into account what Zopa knew about Mr H and what it would have found had it looked more closely at his financial situation, I don't think it would have found anything of

concern that would have prevented it from lending to him. It follows that I think it reached a fair decision to lend Loan 1 to him.

Loan 2

Did Zopa carry out reasonable and proportionate checks?

Mr H's application for Loan 2 gave similar details to the earlier one, except he didn't declare the extra income from his partner. Nonetheless, the detail regarding his employment, residential and credit circumstances were the same. At the time, he'd met all the repayments due under Loan 1 and was seeking a small loan to assist with further home improvements.

Zopa carried out the same checks on this application as it had previously too. But on this occasion, given the size of the loan and its repayments along with Mr H's credit record at the agencies and with Zopa itself, I think the checks it carried out were reasonable and proportionate.

I think Zopa reached a fair decision to lend Loan 2 to Mr H.

Did Zopa act unfairly or unreasonably towards Mr H in some other way?

Mr H made all payments in full and on time to Loan 1 up to and including 7 October 2021, and on Loan 2 up to and including 7 November 2021. Zopa issued default notices on each account and has sold the debts to a third-party debt collector. As a result, interest is no longer accruing on the debts.

For the reasons I've already given, I don't think Zopa lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A of the Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 July 2025.

Richard Hale
Ombudsman