

The complaint

Mr P complains that Zopa Bank Limited lent to him when he could not afford it. He says that it lent to him irresponsibly.

What happened

Mr P took three loans from Zopa Bank and here is a table giving brief details.

Loan	Approved	Amount	Terms	Status
1	19 April 2023	£7,500	48 months £218 each month	Consolidated into Loan 2
2	21 March 2024	£11,500	48 months £334 each month	unknown
3	18 September 2024	£1,000	12 months £98 each month	Unknown

After Mr P had complained to Zopa Bank it responded giving reasons why the three loans had been approved responsibly. Mr P referred his complaint to the Financial Ombudsman Service where one of our investigators considered it. Our investigator thought that Zopa Bank should put things right for Loan 3.

Mr P agreed with our investigator's outcome for Loan 1 and Loan 3. As Loan 1 was not upheld, and Zopa Bank would have no issue with that, then I consider that resolved and I have no need to review it. And Zopa Bank accepted the outcome for Loan 3 and so I consider that resolved and have no need to review it.

Therefore, the unresolved part of the complaint surrounds Loan 2 which was one Mr P applied for to consolidate Loan 1 and gain further funds.

After I had reviewed the complaint I asked Zopa Bank for more information. I asked it about the Loan 1 repayment record and it said Mr P *'...was making manual payments in addition to his contractual payment. (Noted as lumpsum) Each time an additional payment is received this would reduce the contractual amount due. He did not miss any contractual payments and the loan was settled early.'* It was settled early as it was consolidated into Loan 2.

I asked Zopa Bank about its use of Open Banking. Mr P has informed us in his complaint form (and referred to it in his letter of complaint to Zopa Bank) that it did use Open Banking before lending. Zopa Bank's reply to this question was: *'The loan was Auto approved based on the information we obtained during our automated searches Credit File etc, As such we did not have reason to request or review bank statements.'*

As Zopa Bank has accepted it ought to put things right for Mr P for Loan 3, then I have included the uphold redress at the end of this 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 general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide Mr P's complaint. Zopa Bank needed to make sure it didn't lend irresponsibly. In practice, what this means is it needed to carry out proportionate checks to be able to understand whether Mr P 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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I am reviewing Loan 2 only and I have accounted for the fact that Zopa Bank had approved for him Loan 1 just under a year before Mr P applied for Loan 2. It was to consolidate that first loan into the new Loan 2 and release further funds for Mr P. The price to change between Loan 1 and Loan 2 would have been an additional £116 a month.

The statement of account for Loan 1 provided by Zopa Bank showed that Mr P repaid satisfactorily and I've seen no evidence that Mr P contacted it to express any concern over the repayments. Zopa Bank has confirmed this to me recently. This would have been an element of the assessment Zopa Bank would have considered when Mr P approached it for Loan 2. A good previous repayment record would have been a fair and reasonable element to factor in.

When he applied for Loan 2, Mr P had informed Zopa Bank that he was in the same job as before and earning the same which Zopa Bank has calculated as being around £3,029 each month after tax. It used Credit Reference Agency (CRA) information to validate the income Mr P had declared.

It used the CRA information to confirm Mr P's outstanding debt which was £1,972 on a credit card, £35,854 on a hire purchase agreement and £841 on other lending. I have been sent a copy of that CRA search and these seem about right. I'd add in that the £841 'other lending' may well refer to two current accounts with overdrafts and a small proportion of each of those overdraft limits were being used.

Overall Mr P had several accounts with zero balances on them – likely indicating he was not using them or regularly cleared them – and he had no adverse data on his record at all. Added to which, Zopa Bank was aware that the loan with an outstanding sum on it was their Loan 1 and was due to be consolidated into Loan 2. And the price change for Mr P was going to be £116 a month.

Mr P had confirmed when he applied for Loan 2 he was still living at home with his parents and he had declared his housing costs to be £150 a month. Zopa Bank used Office of National Statistics (ONS) data to add in a reasonable sum for other expenses as well. Considering Mr P's good repayment record on Loan 1 (he regularly overpaid) and that he had a good credit record, use of ONS for additional costs I'd not consider having been out of line with regulatory requirements. Added to which, Mr P had confirmed that he was living with his parents still and his housing contribution costs were low at £150 a month. This figure

seems feasible as it's not likely that Mr P was paying full market rent plus bills to live at home.

And further, I do not consider that Mr P would have been exposed to the risk of non-payment of priority bills and/or rent arrears likely to lead to problems with his money such that the repayments to the loan were at risk. I have taken this element into account when considering Mr P's complaint. With these details in mind surrounding Mr P's living arrangements, I do not agree with that part of Mr P's submissions to us about his expenditure on Loan 2 that he was committed to rental and utility bill costs of over £500 a month. I've seen no evidence of this from Mr P to support his submissions and in any event, from what he had informed Zopa Bank, it would not have known otherwise.

Mr P has said he'd just taken out a Credit Union loan on 5 February 2024 which Zopa ought to have been aware of. But the credit search Zopa Bank carried out before approving Loan 2 does not appear to show a recent loan of £10,000. This may simply be that the CRA records had not updated. Often new accounts take eight weeks to register. Our investigator explained this to Mr P. But it was always open to Mr P to tell Zopa Bank of that new loan when applying for Loan 2.

I note that Mr P had upgraded his hire purchase agreement from around £13,000 the year before and his debt payment for that had been £385 each month. The new HP cost was £667 a month increasing his car finance debt to just under £36,000. This does not persuade me that Mr P was in financial difficulties when he applied for Loan 2 as clearly increasing a car finance commitment threefold would have included an element of choice and does not lead me to think that the debt increase from £13,000 to £36,000 had been one out of necessity.

I do not consider that Zopa Bank needed to carry out additional checks. I note that our investigator did review the account bank statements Mr P sent to us and concluded that even if Zopa Bank had carried out additional checks still it would have lent to him at Loan 2 which included the consolidation of Loan 1. I do not uphold the complaint about Loan 2.

Additional point

Mr P has said in his complaint form that:

'The terms of these loans were not adequately explained to me before they were issued. This lack of clarity and transparency constitutes an unfair lending practice, particularly given the high-cost nature of these loans.'

I disagree. The terms were clearly laid out in the documentation I have seen and which would have been sent to and signed by Mr P. I do not uphold this part of the complaint.

Outcome

Mr P has accepted the non-uphold outcome for Loan 1. I have decided that I do not uphold the complaint about Loan 2. Zopa Bank has accepted that it ought to put things right for Mr P for Loan 3.

I've considered whether the relationship between Mr P and Zopa Bank might have been unfair under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied the redress I have directed should be carried out for Mr P results in fair compensation for him 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.

Putting things right

This is the redress paragraphs our investigator set out in his view which has been accepted by Zopa Bank. I set it out here for completeness and unchanged.

Zopa Bank needs to add up the total repayments Mr P has made and deduct these from the total amount of money Mr P received for Loan 3 – which was £1,000.

a) If this results in Mr P having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). † Zopa should also remove all adverse information regarding this account from Mr P's credit file.

b) If any capital balance remains outstanding, then Zopa Bank should arrange an affordable and suitable payment plan with Mr P. Once he has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

† HM Revenue & Customs usually requires Zopa Bank to take off tax from this interest. It must give Mr P a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold the complaint in part and I direct that Zopa Bank Limited does as I have outlined in the 'putting things right' section.

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

Rachael Williams
Ombudsman