

Complaint

Mr D has complained about a credit card Zopa Bank Limited (“Zopa”) provided to him.

He says that he shouldn’t have been given the credit card and that it was irresponsibly provided to him.

Background

In February 2022, Zopa provided Mr D with a credit card which had a limit of £200. Mr D’s credit limit was increased to £600 in August 2022.

One of our investigators reviewed what Mr D and Zopa had told us. And she thought Zopa hadn’t done anything wrong or treated Mr D unfairly in relation to providing the credit card.

So she didn’t recommend that Mr D’s complaint be upheld. Mr D 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.

Having carefully considered everything, I’ve decided not to uphold Mr D’s complaint. I’ll explain why in a little more detail.

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 Mr D’s complaint.

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 Mr D 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 don’t think that it is necessarily unreasonable for a lender’s checks to be less detailed – 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 Mr D’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr D would be able to make the monthly repayment required to clear the balance that could be owed within a reasonable period of time. Zopa says it agreed to increase Mr D’s credit limit as he had

maintained the account well since it was opened. On the other hand, Mr D says that he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr D was provided with a revolving credit facility rather than a loan. And this means that Zopa was required to understand whether credit limits of £200 and £600 could be repaid within a reasonable period of time, rather than in one go. I think it's fair to say that credit limits of £200 and £600 are low and didn't require especially large monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen the information Zopa obtained from Mr D about his income and what was on the credit search carried out. Zopa says that Mr D declared that he was employed full time with a salary of £40,000.00 a year. I've seen that Zopa's credit search showed that Mr D had a defaulted account recorded against him. However, this had happened more than three years prior to this application.

So I don't think that this defaulted account in itself meant that Mr D shouldn't have been lent to. Given the amount initially being lent here and the credit searches Zopa carried out showing that he had a relatively low amount of active debt, I don't think that Zopa needed to further verify what was in the information it had before lending.

For the limit increase, it's also worth noting that Mr D had made payments commensurate with repaying £600 in the months leading up to the increase. As Zopa was entitled to take into account Mr D's repayment record, this is a further reason why it was reasonably entitled to conclude that Mr D could afford the limit increase at the time it offered it to him.

I would also add that it's also not even immediately apparent to me that even more checks, which at the absolute maximum would have consisted of finding out more about Mr D's living expenses rather than relying on estimates of this, would, in any event, have led to Zopa making a different decision.

I say this because I've not seen anything which clearly demonstrates that Mr D's monthly committed living costs were substantially higher than the combination of declared information and statistical data which Zopa used. Equally, there is nothing else that has been provided to me which shows me that had Zopa obtained these actual living costs, it would more likely than not have learned that the monthly payments that could be due on this card were more likely than not unaffordable.

Finally, I've considered what Mr D has said about Zopa failing to take reasonable steps to ensure that this additional credit didn't cause harm to him. While I've considered what Mr D has said, I'm afraid that I don't agree with him. In my view, Zopa mitigated the risk by offering an extremely low initial limit.

Furthermore, it only increased the limit by a relatively low amount, as a result of Mr D's repayment record and him making payments commensurate to repaying £600 within a reasonable period of time. As this is the case, I think that Zopa did take reasonable measures to ensure that it wasn't increasing Mr D's credit unsustainably, or in a way that was otherwise harmful for him.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr D might have been unfair to Mr D under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Zopa irresponsibly lent to Mr D or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything I don't think that Zopa treated Mr D unfairly or unreasonably in approving his credit card application. I appreciate this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 14 July 2025.

Jeshen Narayanan
Ombudsman