

## **The complaint**

Mr F complains that Zopa Bank Limited was irresponsible in its lending to him. He wants all interest and charges refunded along with statutory interest and any adverse information removed from his credit file.

Mr F is represented by a third party but for ease of reference I have referred to Mr F throughout this decision.

## **What happened**

Mr F applied for a £1,000 loan with Zopa in August 2023. The loan was provided with a loan term of 24 months and Mr F was required to make monthly repayments of around £54. Mr F said that Zopa didn't carry out adequate checks before the loan was provided. He said he had other debts at the time and had previously defaulted on an account.

Zopa issued a final response to Mr F's complaint dated 4 October 2024. It said that it carried out creditworthiness checks before the loan was provided to ensure Mr F would be able to make the repayments. It said it used information gathered through the application process as well as data from the credit reference agencies, third parties and any data it held internally.

Zopa said that Mr F declared he was working full time with an annual income of £26,200. It said it checked Mr F's credit file to establish his existing credit commitments and noted that he had said the loan was for debt consolidation. It noted Mr F declared housing costs of £300 a month and it then used third party estimates for his other expenses. Based on its checks, Zopa said the loan was affordable for Mr F.

Mr F referred his complaint to this service.

Our investigator thought the checks carried out before the loan was provided were proportionate. As these suggested the loan to be affordable for Mr F, they didn't uphold this complaint.

Mr F didn't agree with our investigator's view. He said that a default was recorded on his credit file in October 2022, less than a year before this loan was provided.

Our investigator acknowledged Mr F's comment but said the default wasn't recorded in Zopa's credit check and so it couldn't be required to be aware of this.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr F was provided with a £1,000 loan repayable over 24 months with monthly repayments of around £54. Before the loan was provided, Zopa asked Mr F about his employment and income. He said he was employed full time with an annual income of £26,200 and Zopa validated his income using a credit reference agency tool. Mr F said he was renting with monthly rental cost of £300. A credit check was undertaken which showed he had unsecured debts of £1,845 as well as an outstanding hire purchase balance of £6,389. Mr F's repayments towards his existing credit commitments totalled around £333 a month and I note that he said this loan was for consolidation. The credit check results didn't record any defaults for Mr F and showed his accounts as being up to date.

Given the size of the loan and the repayments compared to Mr F's declared income, that Mr F's income was validated, and his credit check didn't raise any concerns about how he was managing his existing commitments, I think the checks carried out before the loan was provided were proportionate.

I have then considered whether these checks raised concerns that meant further questions should have been asked or the loan not provided. Looking through the affordability data, Mr F's credit costs were £333 and housing costs were £300. Deducting these from Mr F's monthly income of around £1,805 (calculated from his declared annual income) would leave around £1,117 after the Zopa loan repayments to cover Mr F's living expenses. I find this supports the loan repayments being affordable for Mr F. I also note that his credit commitments would have reduced if he did use the loan as intended for consolidation.

Mr F has noted that his credit file showed a default at the time he applied for the loan. I can see that his credit report has a credit card account with a default date of October 2022, around ten months before the Zopa loan was provided. This didn't appear in Zopa's credit checks and so I cannot say that it was aware of this. As I think Zopa's checks were proportionate, I do not find I can say that further questions were needed which might have uncovered this default. However, I have still thought about the impact of the default and while I think this would have needed to have been considered, I do not think it necessarily meant that the loan shouldn't have been provided. I say this because Mr F was making payments towards the defaulted balance and was managing his other credit commitments in the months leading up to the loan application. And noting the size and term of the loan and Mr F's disposable income after making the repayments, I think further questioning would have shown the loan to be affordable.

Taking all of the above into account, I find the checks carried out were reasonable and as these didn't raise concerns about the affordability of the loan, I do not find that I can say that Zopa was wrong to provide the loan to Mr F.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Mr F has complained about, including whether Zopa's relationship with him might have been viewed as unfair by a court 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 Mr F or otherwise treated him 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**

My final decision is that I do not uphold this complaint.

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

Jane Archer  
**Ombudsman**