

## **The complaint**

Miss O complains that Zopa Bank Limited trading as Zopa lent irresponsibly to her by giving her a loan she couldn't afford to repay.

## **What happened**

In March 2023 Zopa agreed a £10,000 loan. The loan was due to be repaid over 36 months with a monthly repayment of £385.55. During the application Miss O declared the purpose of the loan was for debt consolidation.

Miss O argues that Zopa lent irresponsibly to her. She says that at the time she couldn't meet her regular monthly expenditure and this loan added to her financial distress and had a significant impact on her mental health. She argues that if Zopa had completed sufficient checks it would have seen she had limited income (as she was working part-time whilst studying) and that she couldn't afford to repay this loan.

Zopa considered Miss O's complaint but disagreed. It said that it completed proportionate checks and as a result of these checks, it was reasonable to lend. Miss O didn't agree and so the complaint was passed to an investigator to consider. The investigator also didn't uphold the complaint.

Miss O disagreed and asked for an ombudsman to consider 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.

Having done so, I'm reaching the same outcome as the investigator and for largely the same reasons. I appreciate that this will be disappointing to Miss O.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Miss O's complaint.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

Zopa needed to make sure it lent responsibly to Miss O. It therefore needed to complete sufficient checks to determine if Miss O could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the

lender already knew about the consumer, etc.

Before agreeing this loan Zopa has said it asked Miss O for details of her income and her monthly rental/ mortgage payment. It verified Miss O's income using credit bureau information on her current account turnover and estimated her regular expenditure. It also completed a credit search.

I'm mindful that Zopa had taken steps to gather a reasonable understanding of Miss O's income, expenditure and how she was currently managing her credit commitments. Taking into consideration the size and term of the loan, I think these checks were proportionate.

However, together with completing proportionate checks, Zopa also needed to respond appropriately to the information it gathered. From looking at the credit search results Zopa has provided (and the full credit search results Miss O has provided from the same credit reference agency) I can't see there were recent signs Miss O was struggling to manage her finances.

Turning to her income, Miss O declared that she was working full-time having just started a role earning £35,000 gross annual income. Zopa calculated that Miss O earned just under £2,300 net per month and it's said that the account turnover information supported this. Miss O declared £450 per month in rent, and it estimated her regular expenditure using ONS data. In addition, from the credit search information, Zopa estimated her monthly credit commitment costs. However, given that Miss O was using this loan for consolidation purposes, it's argued that it's reasonable her existing regular credit commitments would have reduced as a result of this loan.

Zopa has said it relied on ONS benchmarking of what a reasonable level of disposable income for living costs is expected to be. It looks as though Miss O would have had around £690 remaining each month for her regular living costs (after having deducted her monthly loan repayment for this loan). I also think it's reasonable, given Miss O stated the purpose of this loan was to consolidate existing debts, for Zopa to have estimated some reduction in her existing monthly credit commitment expenditure. So, her estimated available income was likely to be higher than that estimate. And taking everything into consideration, I think it's reasonable that this suggested to Zopa that Miss O could have afforded to repay the loan. So I think Zopa made a fair lending decision.

I'm mindful, as Miss O has argued, that the income Zopa recorded wasn't accurate. Miss O wasn't working full-time earning £35,000 gross per year. She was actually working part-time and she's said her income was closer to £750 net per month. She's said the account turnover information was inflated by her student loan credits and support from family. Whilst I appreciate Miss O's argument, I don't think it was reasonable that Zopa verify her income further. It had taken her declared income and completed external verification of this. I've considered that as part of this application Miss O had declared she had just started in this role. However, the account turnover supported that she was previously earning around this amount. And taking everything into consideration, I think it was reasonable and proportionate for Zopa to rely on this amount.

I've also considered more widely whether the relationship between Zopa and Miss O might have been unfair under s.140A of the Consumer Credit Act 1974. However, where a debt has been sold as it has in this case, it follows that the debt purchaser is now the creditor for the purpose of the credit agreement. So a claim about an unfair relationship can't be brought by the consumer against the original lender as they are no longer the creditor.

### **My final decision**

For the reasons explained, I don't uphold this complaint against Zopa Bank Limited trading as Zopa.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 15 October 2025.

Claire Lisle  
**Ombudsman**