

The complaint

Mr M complains that Zopa Bank Limited was irresponsible in its lending to him. He wants all of his payment towards his loans refunded and the outstanding balances waived.

What happened

Mr M was provided with two loans by Zopa, the details of which are set out below.

Loan	Date	Amount	Term	Monthly repayments
1	July 2023	£10,000	48 months	£329.38
2	March 2024	£15,000	48 months	£482.60

Mr M said that Zopa didn't carry out adequate checks before the loans were provided. He explained that his income varied and that after the first loan he required surgery and suffered ongoing illness, which reduced his ability to earn. He said that the loan repayments were unmanageable and he contacted Zopa for help in December 2024. Although he was given a temporary reduced payment plan he said he still felt trapped by the debts and he raised a complaint with Zopa.

Zopa issued a final response to Mr M's complaint dated 21 January 2025. It said that affordability and credit checks were undertaken before the loans were granted. While it didn't accept that loan one was provided irresponsibly it upheld Mr M's complaint in regard to loan two. It said that Mr M would only be required to repay the amount he borrowed on loan two and that a repayment plan could be set up for this. It also said this loan would be removed from Mr M's credit file.

Mr M didn't accept that Zopa had done enough in response to his complaint. He said that he was still being required to repay the principal on the £15,000 loan and his complaint about the £10,000 loan hadn't been upheld. He referred his complaint to this service.

Our investigator thought the checks carried out before loan one was given were reasonable. However, she found that these showed Mr M to have little or no disposable income therefore she didn't think the loan should have been given. Because of this she thought that Mr M should only be required to repay the amount he borrowed (with all interest and charges removed) and once the balance had been repaid, any adverse information about this loan should be removed from Mr M's credit file.

Our investigator noted that Zopa had upheld Mr M's complaint in regard to loan two and while she appreciated that Mr M wanted the balance written off, she thought the action taken by Zopa was fair.

Zopa accepted our investigator's view.

Mr M didn't accept our investigator's view. He said that Zopa had removed the £15,000 loan from his credit file, ceased collections, and was not pursuing the capital or interest. He said it had stopped sending any demands, letters, or notices about the agreement which he said constituted an effective full rescission of that loan. He noted that the £10,000 loan was based on the same level of checks and therefore he said the same outcome was needed.

Mr M said he wanted a full rescission of the £10,000 loan, including a waiver of the remaining balance and for Zopa to refund all payments he has made toward both loans, plus 8% statutory interest. He also requested the immediate removal of all adverse credit information from his file relating to both loans and compensation for the distress and inconvenience he had been caused.

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 M has referred to various laws and regulations. I would like to assure Mr M that when making a decision I take all relevant rules, regulations and guidance into account, but my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint.

Loan one

Before loan one was provided, Zopa gathered information about Mr M's employment, income, housing costs and asked the purpose of the loan. A credit check was also carried out. Mr M declared that he was employed with an annual income of £25,500 (which gave a calculated net monthly income of around £1,766) and this was verified using a credit reference agency tool. He said he was renting with monthly costs of £150 and that the purpose of the loan was consolidation. Mr M's credit check showed he had £6,950 of credit card debt and two outstanding loans. Mr M's active accounts were up to date with no recent adverse data. In this case, I think the information gathered was sufficient to assess whether the loan repayments would be sustainably affordable for Mr M.

Mr M declared rent costs of £150 a month and based on third party data his other living costs were estimated as around £725. Mr M's existing credit commitments were costing him around £540 (based on his credit card usage rather than the available credit limit) and while the intended use of this loan was consolidation, the loan wasn't sufficient to repay all of his debts and post any consolidation he would still have access to the credit card limit. Noting the size of the loan and the repayments needed compared to Mr M's income and the other costs identified, I think this should have raised concern about the sustainability of the repayments. I note that Zopa accepted that this loan should be upheld and I find this a reasonable outcome.

Loan two

Zopa upheld Mr M's complaint about loan two and so I haven't considered this further.

Redress

Mr M has said that given the loans have been identified as being lent irresponsibly, they should be rescinded with all of his payments refunded and any balances written off. While I have considered Mr M's comments, in this case I think the fair outcome is for Mr M to be required to repay the amounts he borrowed. This means that all interest and charges are removed from the loans. I appreciate that Mr M doesn't agree this is sufficient but he did receive the money from Zopa and had the use of this and so I think it fair that he is required to repay this. That said, I would expect Zopa to work with him to ensure that any repayments were affordable for him.

I appreciate Mr M's comment about the actions Zopa has taken on his £15,000 loan and that he wants this replicated for his £10,000 loan. Based on the final response letter, Zopa said that Mr M wouldn't be required to repay anything more than the £15,000 credited to him and that he could contact its repayments team to set up a plan. This is in line with the action we had said Zopa should now take in regard to the £10,000 loan. If Zopa has gone beyond this in regard to the £15,000 loan, that is its decision.

I appreciate that Mr M wants all adverse information immediately removed from his credit file in regard to both loans. I understand this has happened for the £15,000 loan. However, our approach to these cases is that we require any adverse information to be removed once the outstanding balance on the loan has been repaid. I understand this doesn't go as far as Mr M would like, but I think this is a fair approach and this is the redress set out in this decision.

Mr M has also asked that additional compensation be paid. But as all interest and charges will be removed from both loans, I think this is a fair outcome to this complaint.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Mr M has complained about, including whether its relationship with him might've been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr M 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

Zopa has already taken action in regard to the £15,000 loan and I find this reasonable.

In regard to the £10,000 loan, as I don't think Zopa ought to have provided this, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr M should pay back the amount he's borrowed. Therefore, Zopa should:

Add up the total repayments Mr M has made and deduct these from the total amount of money he received.

- a) If this results in Mr M 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 M's credit file.
- b) If any capital balance remains outstanding, then Zopa should contact Mr M to arrange an affordable and suitable payment plan with him. Once Mr M has cleared

the balance, any adverse information in relation to the account should be removed from his credit file.

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

My final decision

My final decision is that Zopa Bank Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 October 2025.

Jane Archer
Ombudsman