

## **The complaint**

Mr D complains that Zopa Bank Limited trading as Zopa lent irresponsibly when it approved his credit card application. Mr D also complains that Zopa failed to identify his vulnerabilities and treated him unfairly.

## **What happened**

Mr D applied for a Zopa credit card in July 2021. In his application, Mr D said he was living with his parents and paying £250 as housing costs. Mr D also said he was employed full time with an annual income of £20,000 that Zopa calculated left him with £1,438 a month net. Zopa used a service provided by the credit reference agencies to help verify the income level Mr D gave in the application. Zopa also used estimates for Mr D's general living expenses obtained from the Office of National Statistics when considering the affordability of the credit card.

A credit search showed Mr D had two credit cards with a total outstanding balance of £384. Both existing credit cards had a missed payment seven months before the application was made. A default from July 2019 for around £7,000 was also noted on Mr D's credit file. No other adverse credit or recent missed payments were recorded.

Zopa applied its lending criteria and approved Mr D's application, issuing a credit card with a £300 limit.

More recently, Mr D complained that Zopa lent irresponsibly and treated him unfairly. Zopa issued a final response but said it had carried out the relevant lending checks before approving his application and didn't agree it lent irresponsibly. Zopa didn't comment about Mr D's vulnerabilities in its final response.

Mr D's added that he recently had a diagnosis confirming various complex mental health conditions. Mr D has explained that while the diagnosis is recent it confirmed conditions that have impacted him for his whole life. Mr D says that whilst not diagnosed in July 2021 he believes there were signs of vulnerability that led to erratic behaviour and difficulties managing his finances, amongst other things. Mr D's explained that he feels Zopa's response to his complaint failed to comment on his vulnerabilities or take them into account.

## **Investigator outcome**

An investigator at this service investigated Mr D's complaint. They thought Zopa completed reasonable and proportionate checks before approving Mr D's application. The investigator thought the decision to approve Mr D's application was reasonable based on the information Zopa obtained. The investigator didn't agree there were signs in the information obtained by Zopa that would've led it to conclude Mr D was vulnerable or lacked capacity to decide to open a credit card at the time. The investigator added that Zopa has advised it follows Financial Conduct Authority regulations that say businesses should assume a customer has mental capacity unless it knows, has been told or should reasonably have been aware that's the case. The investigator noted Mr D hadn't received a diagnosis when he made the application.

Mr D asked to appeal and set out the regulations, laws and industry guidance he feels meant Zopa's decision to lend was irresponsible. Mr D added that he wanted Zopa to waive the outstanding balance, remove the account from his credit file, acknowledgement it had failed to comply with guidance on vulnerability and recognition of the unfairness under S140A CCA 1974 and the Equality Act 2010. As Mr D asked to appeal, his complaint has been assigned to me to make 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.

Before agreeing to lend, the rules say Zopa had to complete reasonable and proportionate checks to ensure Mr D could afford to repay the debt in a sustainable way. These affordability checks needed to take the borrower's circumstances into consideration. What's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed understanding of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information Zopa used when considering Mr D's application above. I can see Mr D confirmed he was employed full time and a net monthly income of £1,438 was used by Zopa. Mr D added he was living with his parents and paying £250 a month in rent. A credit search was completed by Zopa. Mr D's told us Zopa's credit card added to his financial pressure. But I think it's fair to say Mr D had a low level of active credit at the time with an outstanding balance of £384 against two open credit cards. I didn't find evidence to show Mr D was already overcommitted with his open credit.

Mr D's credit file does show a default for around £7,000 registered in July 2019. But the Zopa credit card application was two years later. In my opinion, the default was and not a sign Mr D was experiencing financial difficulties at the time. I can also see a missed payment for each of the credit cards seven months before Mr D's application was made. But they appear to have been isolated incidents, not representative of Mr D's recent credit file in general. Mr D's also pointed to payday lending on his credit file but the most recent payday loan was repaid in June 2017, over four years before his application to Zopa. I'm satisfied that the lack of recent payday lending, significant recent credit issues and low level of unsecured debt indicated to Zopa that Mr D was in a stable financial situation at the time of his application.

I appreciate Mr D's view that the information found on his credit file should've indicated to Zopa he was vulnerable at the time of his application. But I haven't seen information or evidence that would've told Zopa Mr D was vulnerable or lacked the capacity to agree to a new credit card.

In addition to the credit checks, Zopa carried out an affordability assessment using the information Mr D gave in the application and its lending criteria. Zopa has explained it used Mr D's outgoings for rent, as confirmed in the application, and Mr D's existing credit commitments in addition to an estimate of his general living expenses obtained from nationally recognised statistics. That's an approach Zopa is allowed to take under the relevant lending rules.

Zopa decided Mr D had sufficient disposable income available to sustainably afford repayments to a new credit card with a limit of £300. In my opinion, the level and nature of checks completed by Zopa were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Mr D's application was reasonable based on the information Zopa obtained. I'm sorry to disappoint Mr D but I haven't been persuaded that Zopa lent irresponsibly.

### **Capacity and vulnerability**

I understand Mr D feels that Zopa should've seen he lacked capacity to agree to a new credit card in 2021. Our investigator quoted CONC 2.10.4 that says businesses should assume a customer has capacity at the time a decision has to be made unless it knows, is told by a person it reasonably believes should know, or reasonably suspects they lack capacity. I've considered whether, under those terms, Zopa dealt with Mr D fairly when it assessed his application. Mr D has confirmed he wasn't formally diagnosed at the time of his application. I've not seen anything that shows Mr D or someone representing him told Zopa he was vulnerable. And, for the reasons I've given above, I haven't seen anything in the application information available to Zopa that would've indicated Mr D lacked capacity to agree a new credit card or that he was vulnerable at the time.

Mr D's pointed to FG21/2, guidance for firms on the fair treatment of vulnerable customers issued by the Financial Conduct Authority (FCA) in 2021. Mr D says the guidance instructs businesses not to rely on disclosure by their customers to identify them as vulnerable. Whilst I accept that's the case, for the reasons I've given above I haven't seen anything in the information Zopa obtained that would've indicated Mr D was vulnerable. I would add that FG21/2 was guidance issued by the FCA, not a change in its regulations. The guidance speaks of ways a business can support customers identified as vulnerable. But, as I've set out above, I haven't seen anything in the application that would have led Zopa to identify Mr D as vulnerable so I'm unable to fairly say it acted unreasonably or failed to correctly apply the guidance. As a result, I'm unable to agree Zopa failed to follow the guidance given.

I've considered whether the business dealt with Mr D unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't agree Zopa lent irresponsibly to Mr D or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I've considered the other legislation, rules, guidance and regulations Mr D has noted in his response to the investigator but haven't seen evidence that persuades me Zopa treated him unfairly or made a mistake when it approved his application. Having considered all the available information and evidence provided by both sides, I haven't been persuaded that Zopa treated Mr D unfairly or lent irresponsibly. As a result, I'm unable to uphold Mr D's complaint.

### **My final decision**

My decision is that I don't uphold 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 16 January 2026.

Marco Manente  
**Ombudsman**