

The complaint

Mr S complains Zopa Bank Limited (“Zopa”) irresponsibly lent him a credit card.

What happened

In October 2023 Mr S applied for a credit card with Zopa. The application was accepted, and he was provided with an initial limit of £600. The credit limit was never increased.

In February 2024 Mr S raised a complaint to Zopa. He felt at the time of application, Zopa didn’t properly assess whether the card was affordable. He told our service he was struggling mentally and was missing payments on other external credit.

He said they failed to examine his account statements which would’ve shown very little disposable income. Mr S has said the impact of his financial situation has been devastating. He said he’s faced harassment from Zopa and they’ve failed to recognise the severity of his mental health challenges.

He’d like all interest and charges refunded, his credit report amended and a payment plan of £10 per month to clear the remaining balance.

Zopa responded to his complaint in March 2024. They said they use credit reference agency data (CRA) to assess whether credit would be affordable, and on this occasion they don’t believe an unfair decision to lend was made.

They told him they’d happily review any additional evidence he has and would be happy to discuss payment arrangements with him.

Mr S was unhappy with the response, so he referred the complaint to our service. An Investigator here looked into things. They felt that Zopa hadn’t completed proportionate checks due to the significant external debt Mr S had at the time, but having completed a review of Mr S’ statements, they felt Zopa would’ve found Mr S had sufficient disposable income to repay the £600 limit in a reasonable period of time.

Mr S didn’t agree with the opinion of the Investigator. He said Zopa issued a credit card without asking for evidence of his actual income, bank statements or existing credit commitments and living costs. He believes had they done so, Zopa would’ve seen the lending was unaffordable and unsustainable. He also wants the default removed as it’s a direct result of Zopa’s inability to check whether or not the card was affordable and he believes Zopa didn’t recognise his personal vulnerabilities at the time. He said he was temporarily homeless, surviving on irregular income, relying on short-term lending and experiencing emotional distress.

Because an agreement couldn’t be reached, the complaint has been passed to me to decide.

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.

I'd like to start by saying that it's very clear to me just how important this matter is for Mr S. He has set out his position in great detail and has provided lots of supporting information. I think it's important I explain that whilst I have read and considered all the information provided by both parties, I've outlined my findings in considerably less detail. I don't mean any discourtesy by this, rather this reflects the informal nature of our service.

The rules and regulations in place at the time Zopa provided Mr S with the credit card required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Zopa had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr S. In other words, it wasn't enough for Zopa to consider the likelihood of them getting the funds back or whether Mr S' circumstances met their lending criteria – they had to consider if Mr S could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Zopa did what was needed before lending to Mr S.

At the time of application Zopa used both information obtained from the CRA's and information input by Mr S. They found he was earning £45,000 per year, self-employed, and was renting a house that cost him £350 per month. The credit data showed he had over £50,000 of external debt, spread across two hire purchase agreements and a loan. He also appeared to have a few other revolving credit facilities and an overdraft that didn't appear to be being used at the time.

I'm in agreement with the Investigator that Zopa's checks should've gone further here. Although they were only offering Mr S a low limit, given that he'd declared himself 'self-employed', which sometimes, depending on the nature of the employment isn't always a consistent monthly income, and had external debt exceeding what he said was his annual salary, I think they should've done more to work out what disposable income Mr S actually had access to.

I've noted Mr S' comments regarding Zopa needing to check his bank statements prior to the lending decision. But when considering lending complaints, there are no specific checks that lenders must complete before approving an application for credit. The rules set out by the regulator merely state that checks should take place and that they should be proportionate to the type and amount of credit being provided. But there is no obligation on lenders to ask to see bank statements, so Zopa didn't make an error when they didn't automatically ask to see Mr S' bank statements before approving the application.

However I do think they should've conducted an in-depth income and expenditure assessment with Mr S. Because Zopa didn't do that at the time, the easiest way for us to now piece together what that would've looked like is to review Mr S' bank statements from the time. Requesting these isn't because we think Zopa should've done, it's to help us

assess what figures would've been declared had Zopa gone through a full income and expenditure with him at the time. To do this I've looked at consistent income and expenses to places such as housing, credit commitments, and bills.

While I can see Mr S was using payday lending at the time, when I look at his committed expenditure and income to the account, and considering the amount being provided to Mr S, I don't think Zopa acted unfairly by providing Mr S with the credit card. I say this because it was for a modest amount of £600, and there were no signs of financial difficulty in the past. It wouldn't have been a significant cost for Mr S to repay this credit in a reasonable period of time based on his salary and existing credit commitments.

I understand Mr S would like the default removed. But based on what I've seen, Zopa have followed the guidelines set out by the Information Commissioner's Office (ICO) around when it's appropriate to record an account as defaulted. Mr S has borrowed funds that he's been unable to payback under the contractual agreement made at the point of application, and therefore I can't reasonably say Zopa acted unfairly by recording the default.

I appreciate Mr S' comments regarding his personal situation, and I'm really sorry to hear of the challenging times he's faced. However, there's no indication that Zopa would've been aware of this at the point of sale, because the application was carried out solely online. There was nothing to indicate that Mr S was homeless at the time because he'd declared rental payments on his application.

Mr S' debt has been sold to a third party – and he can work with them to set up a repayment arrangement that's suitable for him moving forward.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr S might have been unfair to Mr S under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Zopa did not lend irresponsibly when providing Mr S with the credit card. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll come as a disappointment to Mr S, I won't be upholding his complaint against Zopa for the reasons explained above.

My final decision

It's my final decision that Zopa Bank Limited didn't act unfairly when lending to Mr S or by recording the account as defaulted.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 August 2025.

Meg Raymond
Ombudsman