

The complaint

Mr M complains that Zopa Bank Limited (“Zopa”) irresponsibly lent to him.

What happened

Zopa provided Mr M with a personal loan in March 2024 for £7,500, with a total amount repayable of £10,597.07 over 48 months. The monthly payments were around £220. I understand the account has now been defaulted and the debt sold.

Mr M complained to Zopa. In summary, he said Zopa didn’t complete any affordability checks and that he was, and still is, a compulsive gambler. He said he’s shocked at how quickly the loan was approved and believes it was computer-generated. Mr M said he’s been struggling to make the repayments, and it’s now been passed to a debt collector. He also said he’s been unable to sleep, and the situation has affected his mental health.

In its final response, Zopa didn’t uphold Mr M’s complaint. In summary, Zopa said after carrying out checks at the time of lending, it found this lending to be affordable for Mr M. And therefore, didn’t think it had lent irresponsibly. Mr M didn’t agree and so referred his complaint to our service.

Our Investigator didn’t uphold the complaint. In summary, they said the checks Zopa carried out were proportionate and those checks revealed the lending was fair.

Zopa accepted the Investigator’s findings, but Mr M didn’t agree. In summary, he said his gambling hadn’t been taken into account and therefore he wanted to appeal the outcome.

The Investigator responded to say they didn’t think Zopa would have been aware of Mr M’s gambling given proportionate checks wouldn’t have included checking bank statements.

Because the parties couldn’t agree, the matter 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.

We explain how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr M’s complaint.

Having carefully considered everything provided, I’m not upholding Mr M’s complaint – and I’ll explain why.

Zopa needed to make sure it didn’t lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr M could afford to repay before providing the lending. Generally, it might be reasonable and proportionate for a lender’s checks to be less thorough (in terms of how much information it gathers and what it does to verify it) in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

When Mr M was provided with the loan, Zopa was required to understand whether Mr M could sustainably repay the full amount it was prepared to lend.

At the time of application, Mr M declared he was employed full-time, earning £31,694 per year. Zopa verified his net monthly income to be around £2,111 via one of the Credit Reference Agencies (CRAs) which checks bank account data. This is a common industry-accepted way of verifying someone's income and I've seen evidence that Zopa was able to verify the salary Mr M declared. So, I'm satisfied it was able to rely on this.

Mr M also confirmed he had a mortgage, and this cost him £477 per month. From its credit checks, Zopa found Mr M's credit commitments cost him around £332 per month. This new lending would cost around £220 per month. Zopa used statistical data to understand if, after all of these commitments, Mr M had enough disposable income left, to pay for other non-discretionary expenditure for things like food, clothing and utilities. It said based on this it felt the lending was affordable.

I've also seen evidence of Zopa's credit checks. These showed Mr M had around £6,721 in existing credit balances, with a mixture of credit cards, loans and an overdraft. Looking at Mr M's fixed loan repayments as well as what sustainable repayments towards his revolving credit would likely be, I think it's reasonable for Zopa to have relied on a figure of around £332 for Mr M's monthly credit commitments.

The credit checks also showed, whilst it appeared Mr M had some problems maintaining his payments on previous debt (there were some arrears showing and some defaults), these had all happened some years before this lending. Moreover, Mr M had been managing his existing credit well, with a few missed payments but none in the past 17 months before this lending. There wasn't any evidence of sustained arrears showing on his existing credit. There was also evidence of Mr M managing other settled accounts, well, for example, he'd settled a hire purchase agreement shortly before taking out this loan, having been paying around £190 per month, and with no adverse information showing for his management of that account.

On the one hand, Mr M was utilising the full limits on his credit cards and overdraft facility, and he did have some adverse information showing on his credit file. On the other hand, compared to his income, he didn't appear to be overly-indebted, the issues he'd had with repaying appeared to be historical and not a reflection of how he'd been managing his existing credit. And, there was evidence to show he'd managed and settled previous lending well. I also think that Zopa's disposable income checks were reasonable and did suggest Mr M likely had the disposable income to afford this new lending.

So overall, as our Investigator has said, I think it's certainly arguable that the checks Zopa carried out were proportionate and the lending fair.

However, I also recognise that Mr M was taking on a sizeable loan with, relative to his income, significant monthly repayments and for what I'd consider a reasonably long-term commitment.

But - even if I were to say the checks weren't proportionate, I'd only go as far to say Zopa should have obtained more information about Mr M's committed living expenses, to ensure

he could afford this new lending. I don't think, considering what Zopa's checks showed, as well as the size and term of the loan, that checks ought to have gone any further than this, for example by checking bank statements. Fundamentally, as I've set above, there aren't set checks a lender must do, so, there isn't an obligation on a lender to check bank statements.

Although Zopa wasn't required to check Mr M's bank statements, I've reviewed those to see what further checks would likely show, had Zopa obtained information from Mr M about his committed living expenses. Even if I assume Mr M was responsible for all of the household's committed monthly living expenses (which I don't think he was as it's a joint account with other money coming into it), I still think this lending would have been affordable. I say this after taking into account Mr M's monthly income, credit commitments and essential expenditure such as his mortgage payment, council tax and other bills. So, I'm satisfied that even if Zopa had obtained more information from Mr M about his committed living expenses, this would have likely revealed the lending was affordable.

I know Mr M feels Zopa should have done more – and had it checked his bank statements, it would have seen he was gambling. But I don't think in the circumstances of this case, for the reasons explained, that would have been proportionate. This means I don't think Zopa would have been aware of Mr M's gambling. I can see on the sole account statements Mr M's provided that he was gambling so I don't doubt what he's said. And I think it's fair to say the reality of Mr M's situation was likely very different compared to what Zopa's checks showed – or even what they ought to have showed.

Zopa did explain to our service that, as part of the income verification checks it carried out via the CRA, although outgoings aren't included in the check, part of the process is that Zopa should be notified if there are any gambling transactions on a borrower's bank statements. Zopa's checks suggest it wasn't notified of any gambling transactions for Mr M.

I've thought carefully about this because I can see the bank details Mr M provided to Zopa were for his sole account – which is where the gambling can be seen. Zopa explained the bank details Mr M provided as part of the application were for direct debit purposes only – and actually, I can see screen shots of its systems do appear to support this. I can also see Mr M's income is paid into the joint account. Therefore, I'm satisfied it's the joint account that the income verification would have likely been taken from. There doesn't appear to be any gambling on Mr M's joint account and so I'm satisfied this is likely why Zopa weren't aware of Mr M's gambling transactions when verifying his income. Ultimately, I can only hold Zopa responsible for what it knew – or ought to have known at the time of lending.

Based on what I've seen, I'm satisfied the overall lending was fair.

So, whilst I appreciate this will be very disappointing for Mr M, it follows that I'm not upholding his complaint.

Finally, I've also considered 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 think Zopa lent irresponsibly to Mr M 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 don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 January 2026.

Sophie Kyprianou
Ombudsman