

The complaint

Mr P complains that Zopa Bank Limited irresponsibly agreed a loan for him.

What happened

Zopa agreed a loan of £2,000 for Mr P in late May 2021. The total amount owed was £2,260.21, to be repaid at £188.35 a month over 12 months. Mr P met his repayments and the loan closed in May 2022.

Mr P complained to Zopa in October 2024 that the loan was unaffordable and that it didn't carry out adequate checks before lending to him. Mr P said he was reliant on credit at the time, with multiple existing loans and credit cards. This additional loan exacerbated his financial difficulties and he struggled to manage the repayments.

Zopa didn't uphold Mr P's complaint. It said it completed appropriate checks before lending to him and was satisfied that the loan was affordable.

Mr P referred his complaint to us and we looked into it. Our investigator found that Zopa's checks were proportionate, and that it didn't make an irresponsible or unfair lending decision. They didn't recommend that Mr P's complaint be upheld.

Mr P didn't agree with this recommendation and asked for the complaint to come to an ombudsman 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've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Zopa, need to abide by. Zopa will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will highlight some of them.

Before entering into a credit agreement, Zopa needed to check that Mr P could afford to meet his repayments as they fell due, out of his income without having to borrow further or miss other payments, and without the repayments having significant adverse consequences on his financial situation.

The regulations weren't prescriptive about what checks Zopa should carry out but they did state that the checks needed to be proportionate to the nature of the credit (the amount borrowed, for example), and take into consideration Mr P's circumstances. The overarching requirement was that Zopa needed to pay due regard to Mr P's interests and treat him fairly.

With this in mind, my considerations are did Zopa complete reasonable and proportionate checks when it agreed to lend to Mr P to satisfy itself that he would be able to repay the credit offered without difficulty? If it didn't do this, what would reasonable and proportionate

checks have shown? Was there anything of concern in the checks Zopa carried out and did it make a fair lending decision? Did Zopa treat Mr P unfairly or unreasonably in any other way, including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974?

Zopa provided the information it relied on when making its lending decision. This included Mr P's application form, information from his credit file and its affordability estimates. Zopa said it relied on data from the Office of National Statistics when estimating Mr P's expenses.

Mr P gave his income as £50,000 in his application form (equating to a net monthly income of approximately £3,128) and said he was employed full time. Zopa said it checked this figure through a credit reference agency. This process analysed bank accounts linked to Mr P's credit file and found he received this level of income over the preceding 12 months.

The credit file information Zopa gathered showed that Mr P had an existing debt balance of £6,106, across six credit accounts and a loan. He also held three current accounts, one of which had a £1,000 overdraft limit. Zopa relied on a figure of £303 for Mr P's monthly debt repayments and estimated that he spent £620 on rent. It also estimated that Mr P would have around £2,000 left each month to meet his other expenses after paying his debts, his rent and his new loan payment of £188.

I don't think that what Zopa knew about the amount of existing debt Mr P held or how he was managing it would, or should, have raised concerns about financial difficulties. Mr P's total debt repayments going forwards didn't take up such a significant proportion of his income that it was obvious he would struggle to repay them sustainably, even without considering that he said he was borrowing in order to consolidate some of his existing debt.

There was no adverse account information shown on Mr P's credit file, apart from one account which had a default balance of £3,507 from October 2017. Given how long ago this had defaulted I don't think it would or should have raised the concern for Zopa that Mr P was having ongoing financial difficulties.

The regulations in place at the time stated that Zopa needed to take reasonable steps to determine the amount, or make a reasonable estimate, of Mr P's current income and non-discretionary expenditure. It wasn't generally sufficient to rely solely on a statement of current income made by the customer without independent evidence, which could include information supplied by a credit reference agency. The regulations also stated that Zopa could take into account statistical data when estimating Mr P's non-discretionary expenditure unless it had reasonable cause to suspect that this might be significantly higher than that described in the data, or that the data were unlikely to be reasonably representative of his situation.

Given what Mr P said about his salary (and Zopa's check on this) and given that the amount of credit Zopa was offering was £2,000 and the credit file information it relied on didn't contain any concerning negative information, I've concluded that the checks Zopa carried out on this occasion were reasonable and proportionate. There wasn't anything shown in its checks that should have prompted Zopa either to decline to lend to Mr P, or to carry out further checks before doing so. So I can't say Zopa was irresponsible or unfair to have entered into the agreement with Mr P.

Mr P said that he couldn't remember exactly what figure he declared as his income but that his earnings would have been significantly below £50,000 and would have included overtime payments. I've found that Zopa wasn't wrong to rely on what Mr P said and a credit reference agency check in this case, and so I wouldn't expect it to have asked Mr P for further information, payslips or bank statements for example, to carry out a further check.

Mr P also said that he was reliant on his overdraft. The credit file information Zopa saw showed a zero balance and the limit of £1,000 wasn't more than Mr P's monthly income. The indications were that Mr P wasn't reliant on his overdraft to the extent that he always had a negative balance. And, as mentioned, Mr P's monthly debt repayments didn't take up such a significant proportion of his income that it was obvious that he was reliant on credit and not able to make inroads into repaying his debts, including his overdraft.

Mr P said that Zopa should have considered whether the loan would improve his financial situation, given he said it was for debt consolidation, but it made no attempt to assess the intended benefit of the loan. In this case, I've found there were no signs of ongoing financial difficulty evident in the information Zopa gathered and it deemed the loan repayments affordable even without considering that Mr P might use the loan to clear existing debts. So I would not have expected Zopa to consider Mr P's circumstances further before entering into the agreement.

Mr P told us that he had little disposable income between his living costs and his pattern of spending. He shared with us that at that time he was experiencing problem gambling, with frequent cash withdrawals and gambling transactions. Mr P said this would have been apparent from his bank statements, as would multiple returned direct debits and resulting charges. Mr P said that his financial situation deteriorated with time and he later entered into a debt management plan.

I am sorry to hear of Mr P's gambling and have no doubt that things have been very difficult for him financially and emotionally. However, as I've explained, I've concluded that Zopa didn't need to carry out further checks on this occasion and so would not have uncovered these underlying difficulties. So I can't say that Mr P would not have been offered the credit, but for failings by Zopa. I appreciate that while Mr P managed to meet his repayments successfully he may not have done so sustainably, but unless he raised this with Zopa it wouldn't have known he was struggling.

In summary, I've concluded that Zopa's checks were reasonable and proportionate on this occasion and it didn't make an irresponsible or unfair lending decision when it opened the account for Mr P, 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

For the reasons I've explained above I am not upholding Mr P's complaint about Zopa Bank Limited and don't require it to pay him compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 August 2025.

Michelle Boundy
Ombudsman