DRN-5738301

The complaint

Mrs M says Zopa Limited lent to her irresponsibly.

What happened

Mrs M took out a 48-month loan from Zopa for £20,000 in May 2023. The APR was 9.38% and the monthly repayments were £497.69. Mrs M says the loan was unaffordable for her, she was already in a lot of debt and struggling to manage it. It may have been for consolidation but Zopa did not make that a condition so it also needed to check she could afford it on top of her existing debt.

Zopa said it carried out appropriate checks that showed the loan would be affordable.

Our investigator did not uphold Mrs M's complaint. She said Zopa's checks were not proportionate, but it could have fairly made the same lending decision had it completed better checks.

Mrs M disagreed and asked for an ombudsman's review. She said, in summary, it is a fact that this loan led her to borrow more and made her financial position worse; Zopa showed have looked much more closely at her circumstances given how much debt she already had – and the £43,460 quoted does not take into account her overdraft which ran between £4,000 and £5,000; she did not have the disposable income the investigator referenced; and as another lender that gave her a £10,000 loan later that month has upheld her complaint, surely this one must also be upheld.

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 approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Zopa lent to Mrs M required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Zopa had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mrs M. In other words, it wasn't enough for Zopa to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Mrs M.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for. In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Zopa did what it needed to before agreeing to lend to Mrs M. So to reach my conclusion I have considered the following questions:

- did Zopa complete reasonable and proportionate checks when assessing Mrs M's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Zopa make a fair lending decision?
- did Zopa act unfairly or unreasonably in some other way?

I can see Zopa asked for some information from Mrs M before it approved the loan. It asked for details of her income and housing costs. It verified her declared income through one of the credit reference agencies. It also checked her credit file to understand her credit history and existing credit commitments. It asked about the purpose of the loan, which was debt consolidation. From these checks combined Zopa concluded Mrs M could afford to repay the loan.

I don't think these checks were proportionate in the circumstances of this case. Mrs M was taking out a large loan and already had a significant level of unsecured debt. So I think Zopa needed a better understanding of her actual income and actual fixed outgoings before deciding to lend.

I have looked at Mrs M's bank statements from the months prior to her application to extract this information. I agree with the investigator's analysis that Mrs M's average monthly income was around £3,500 and non-discretionary outgoings £3,050, including her mortgage. So she had around £450 disposable income. This does not include the regular monthly credit of £500 from a family member, if this was a contribution to household costs it would have been reasonable for Zopa to take it into account either by increasing income or reducing outgoings.

Mrs M challenged these figures and said she would provide a more accurate breakdown but did not go on to submit this information. I accept she was overdrawn at the time, so she would not have seen her finances in this way, but I have to consider that the loan was for debt consolidation and how this would affect her finances going forward.

Zopa's credit check showed she had £43,460 of debt, around 60% of which was revolving and therefore most likely more expensive to manage than this loan. Mrs M's payment history was good, she had no recent arrears or adverse data on her file. She had not recently taken out multiple lines of credit and there was no sign she was using payday loans. Mrs M says she had an overdraft in addition to this debt. Zopa's check showed she had an overdraft on one current account that was at £66 of its £250 limit. I accept this was not the full picture and she had a bigger overdraft but I can only reasonably expect Zopa to respond to the result its checks returned. A consumer can see different things on their full credit file to a lender's check as not all lenders report to all the credit reference agencies.

Mrs M said she was taking out the loan to consolidate existing debts. It would have allowed her to repay just over 75% of her revolving debt reducing the cost of sustainably repaying this debt by half (assuming a 5% repayment of balance). I accept Mrs M may not have gone on to clear her existing balances in this way with this loan. But Zopa could only make a reasonable decision based on the information it had available at the time. In my view, all Zopa could do was take reasonable steps to ensure the payments would be affordable for Mrs M. And as Mrs M didn't have a history of applying for loans with Zopa for consolidation purposes and then returning for further funds after having failing to consolidate as she said she would, I think Zopa was reasonably entitled to believe the funds would be used for the stated purpose.

This means it could have significantly reduced Mrs M's monthly cost of credit and freed up around £500 of disposable income. In these circumstances I find it was reasonable for Zopa to lend to Mrs M as better checks would have shown she could afford this loan after consolidation. It would have been fair for Zopa to conclude she was trying to improve her financial situation and reduce her cost of credit.

It follows I do not think it was wrong for Zopa to lend to Mrs M.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Zopa lent irresponsibly to Mrs M or otherwise treated her 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.

Finally, Mrs M said as another complaint for a lower value loan was upheld then surely this one must be. I can only comment on the individual merits of this case however. The same consumer can have different complaint outcomes for a number of reasons. I note that loan was taken out after this one. I am sorry Mrs M went on to have financial difficulties. I hope she now has the support she needs, if not she could contact StepChange on 0800 138 1111 for free debt management advice.

I understand Mrs M feels strongly that Zopa was wrong to lend to her and I want to assure her that I have considered everything carefully. But for the reasons I've given, I won't be asking Zopa to do anything. This now brings to an end what we can do in relation to this complaint.

My final decision

I am not upholding Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 13 November 2025.

Rebecca Connelley
Ombudsman