

The complaint

Mr W complains Zopa Bank Limited (Zopa) failed to carry out adequate financial checks before it approved two loan accounts for him.

What happened

Mr W says Zopa approved two loan accounts each for £5,000 in December 2021 and January 2023 at a time when he had sizeable external debt. Mr W says if Zopa had carried more vigorous financial checks it would have seen the loan payments were not sustainable.

Mr W wants Zopa to refund all interest and charges relating to both loan accounts along with 8% simple interest and for it to remove any adverse entries from his credit file.

Zopa says it follows strict rules around credit worthiness and before it approved both of the loans it relied upon information from Mr W's applications, internal data and data from credit reference agencies (CRA's) and other external sources to verify income. Zopa says its checks showed Mr W was maintaining his existing lines of credit well and there was no evidence of any financial stress or any CCJ's, defaults or payment arrangements.

Zopa says it carried out sufficient financial checks before it approved both the loan accounts.

Mr W wasn't happy with Zopa's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint.

The investigator says there are no set list of checks lenders like Zopa must carry out before approving credit facilities, but these should be borrower focused. The investigator felt while Mr W had external borrowings before the two loans were approved, there was no evidence to say he was overly reliant on credit.

The investigator says Zopa carried out financial checks before both loans were approved and these showed no CCJ's, defaults, missed payments in the preceding 12 months nor any adverse information, so she was satisfied the checks Zopa carried out were reasonable and proportionate. The investigator felt before both loans were approved Zopa had undertaken affordability modelling which showed the loans were affordable and these were both repaid early.

Mr W didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

Mr W's complaint centres around his view that Zopa failed to carry out vigorous enough financial checks before it approved two loan accounts for him in December 2021 and January 2023. Mr W feels if it had, Zopa would have seen the loan payments were unsustainable.

While I understand the points Mr W makes here, I'm not fully persuaded by his argument and I will go on to explain why.

As the investigator has pointed out there are no set list of checks lenders like Zopa must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Zopa what those checks must consist of, or from what sources those checks should come from.

From the information I have seen before the first loan was approved in December 2021 for £5,000 over 24 months, Zopa relied upon the information Mr W declared in his credit application alongside data provided by CRA's and other external sources. At this time Mr W declared he was employed with an annual salary of £60,000, which was verified by external sources by Zopa to determine his net monthly income, which was around £3,600. I can also see that as part of its affordability modelling Zopa calculated Mr W's external borrowing and housing costs to be around £2,000, leaving him with a relatively high level of net disposable income to meet the new loan repayments.

I can also see that at that time Zopa carried out checks using CRA's which showed no evidence of any undue financial pressure such as defaults, CCJ's or payment plans in place and Mr W had managed his existing credit commitments well. So on balance, I'm satisfied Zopa carried out reasonable and proportionate checks before this loan was approved and the monthly commitment looked sustainable and affordable – in fact the loan was repaid early in September 2022.

When loan 2 was approved in January 2023 for £5,000 over 48 months, Mr W had repaid the existing loan with Zopa and it's fair to say it had built up a positive lending relationship with him by that time. I can see at that time Zopa carried out additional financial checks using information Mr W declared on his credit application, showing an annual income of £70,000 alongside data provided by CRA's and other external sources. Additionally Zopa obtained copies of Mr W's bank statements to verify his income, which I consider to be prudent given the loan was over four years.

While Mr W did have external debt, this was being well managed and it wasn't considerably higher than in December 2021. From the information I have seen there was no evidence to suggest Mr W was struggling financially at that time.

Zopa's affordability modelling at that time showed his disposable income was more than sufficient to meet the repayment of the new loan, in fact the cost of the new loan each month was less than the previous loan it had agreed only 12 months earlier, which had been repaid early, and Mr W's income had increased with only a modest amount of extra financial debt. Again Mr W repaid the second loan early in October 2024. So on balance here, I'm satisfied Zopa carried out reasonable and proportionate checks before it approved the second loan and its decision to lend on both occasions was fair.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mr W will be disappointed with my decision, I won't be asking anymore of Zopa.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 October 2025.

Barry White
Ombudsman