

The complaint

Mrs M complains that Zopa Bank Limited was irresponsible in its lending to her. She wants all the interest and charges paid on her loan refunded and the balance written off.

What happened

Mrs M was provided with a loan for £14,600 by Zopa in October 2023. The loan term was 60 months, and Mrs M was required to make monthly repayments of £304.11.

Mrs M said that the loan wasn't affordable. She said she had a high level of debt at the time and took out the loan to consolidate other debts. She said she was on maternity leave at the time and had a reduced income and she had to borrow from family to cover the costs of the repayments. Mrs M said this loan has had a negative impact on her mental wellbeing.

Zopa said that before lending to Mrs M it carried out affordability and credit checks using information Mrs M had provided along with information from the credit reference agencies and third parties. It said that based on its checks the loan was affordable for Mrs M.

Mrs M referred her complaint to this service.

Our investigator thought that the checks carried out by Zopa before the loan was issued were reasonable and proportionate. Based on the results of these checks she thought that Zopa had made a fair lending decision.

Mrs M didn't agree with our investigator's view. She said that when Zopa contacted her about her loan application she explained that she was due to return to work the next month following her maternity leave. However, she was unable to do this due to childcare issues and didn't return to work until January 2024. She said that had Zopa requested copies of her bank statements before lending it would have seen that she was on the 'no-pay' part of her maternity leave and didn't have enough income to cover her essential costs. She also said that she was living in her overdraft at the time.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mrs M was provided with a £14,600 loan requiring monthly repayments of around £304. This was a large loan and so we would expect Zopa to gather enough information to get a clear understanding of Mrs M's financial circumstances.

Before the loan was issued, Zopa asked Mrs M about her employment, income and residential status. Mrs M declared she was employed full time with an annual income of £45,580 and that she was a homeowner with a mortgage to which she contributed £500 a month. Zopa carried out a credit check which supported Mrs M's housing costs (although Zopa used a higher figure of £558.50 in its assessment) and recorded no missed payments or defaults on her existing credit commitments. Mrs M provided a copy of a payslip, and an underwriting call took place on which Mrs M confirmed the amount she wished to borrow and the purpose of the loan being the consolidation of her credit card debt. Mrs M was asked to provide a copy of her most recent bank statement, and she explained she was currently on maternity leave returning to her full wage in October 2023.

Having considered the checks that were undertaken, including the underwriting call, checking of Mrs M's income, and receipt of her payslip and bank statement and noting that her credit check didn't suggest she was struggling with her existing credit commitments, I think that Zopa carried out reasonable checks before the loan was issued. However, just because I think reasonable checks were undertaken, it doesn't necessarily mean that I think the loan should have been given. To assess that I have considered the outcome of Zopa's checks to see if these raised concerns that meant further information should have been gathered or the loan not provided.

Having looked through Mrs M's credit report, this showed she had outstanding balances on two credit cards, a higher purchase and four loans. She also had a joint mortgage and an overdraft on her current account. All of the accounts were up to date with no missed payments recorded and Mrs M was operating well within her credit card limits. Mrs M's total unsecured debts were £12,480, and her hire purchase balance was £24,978. Considering Mrs M's overall level of credit compared to her declared income, I do not find that this suggested she was over indebted.

The monthly repayments for her credit commitments taken from her credit file were around £839 a month, but Mrs M said that this loan was intended to repay her credit card debt which would then reduce her monthly commitments to around £642 (increasing to around £946 when the Zopa repayments were included). I do not think this raised any major issues when considering Mrs M's declared income. So, having considered Mrs M's credit report results, while these show her having existing credit commitments, I do not think they suggested she was struggling to maintain these at the time.

Considering the affordability of the loan, Mrs M declared her annual income as £45,580 and her payslip dated 30 May 2023 shows a salary as £44,769. Additional to the salary income, Mrs M also received child benefit into her joint account. So, I find this supports the income Mrs M declared. Based on an annual income of around £45,580, Mrs M was calculated to receive a monthly net income of around £2,883.

Mrs M has explained that she was on maternity leave when she applied for the loan. I can see that her maternity pay is recorded on the payslip she provided and that her net income in June, July and August 2023, was around £1,924. In September 2023, Mrs M received a lower amount from her employer (she has explained she was entering the 'no pay' part of her maternity leave) as well as a payment from another source. While I accept that Mrs M received a lower income in the months before the loan was issued, as she had explained she was returning to work in October 2023, I think it reasonable that Zopa would factor this into its affordability assessment.

Deducting Mrs M's costs for her credit commitments and mortgage contribution from her income, left Mrs M with sufficient funds to make the Zopa loan repayments and cover other costs. Therefore, in this case, I do not find I can say that Zopa was wrong to provide this loan.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Mrs M has complained about, including whether its relationship with Mrs M might have been viewed as unfair by a court 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 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.

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 Mrs M to accept or reject my decision before 9 February 2026.

Jane Archer
Ombudsman