

The complaint

Mr C complains that Zopa Bank Limited was irresponsible in its lending to him.

What happened

Mr C was provided with a £15,000 loan by Zopa in May 2024. The loan term was 60 months and Mr C was required to make monthly repayments of £347.69.

Mr C said that Zopa failed to carry out adequate affordability assessments before providing the loan. He said at the time of his application he was already in financial difficulties with little or no disposable income. He explained that he had a gambling addiction which could be seen from his account statements as well as suffering from ongoing mental health issues. He said extra care should have been taken by Zopa given his vulnerabilities. Mr C said this loan has added to his financial difficulties and adversely affected his mental health. He said that being faced with his debts he has found it difficult to overcome his gambling addiction.

Zopa said that before the loan was provided it carried out credit and affordability checks. Based on its checks it said the loan was appropriate and affordable for Mr C.

Mr C referred his complaint to this service.

Our investigator didn't uphold this complaint. She thought that Zopa carried out reasonable checks before the loan was provided and that based on the results of these it made a fair lending decision.

Mr C didn't accept our investigator's view.

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.

Before the loan was given, Zopa gathered information about Mr C's employment, income, residential status, housing costs and the purpose of the loan. Mr C declared he was employed with an annual income of £50,000 and this was checked. He said he was an

owner occupier with housing costs of £650 a month and that the purpose of the loan was debt consolidation. A credit check was undertaken which showed along with his mortgages, Mr C had outstanding balances on three credit card accounts, two loans and a hire purchase agreement. His accounts were up to date.

Given the outcome of the credit check didn't suggest that Mr C was struggling to maintain his existing commitments and noting that his income was checked and details of housing costs gathered along with his other credit commitments, I think the checks carried out before the loan was provided were reasonable. I have then considered whether based on the checks, Zopa should have been concerned that Mr C might not be able to sustainably afford the loan repayments.

Mr C declared that he was employed full time with an annual income of £50,000. This was calculated to give a net monthly income of around £3,129. Mr C declared his housing costs as £650 a month. His mortgage repayments shown on his credit file were below this figure, so I accept that the higher figure Mr C declared was used in the affordability calculation. Mr C's credit check showed he was making repayments for his loans and hire purchase as well as credit cards. These totalled around £1,500 a month. While this was a high proportion of Mr C's income, as he had said the Zopa loan was intended for debt consolidation, I find it reasonable that this would have been factored into the calculation (I note Mr C's credit card debts totalled just over £15,000).

So, taking into account the purpose of the loan was debt consolidation which, had it happened, should have reduced Mr C's overall credit costs, and given the income and housing costs identified, I do not find I have enough to say that the checks suggested this loan would be unaffordable for Mr C.

I am sorry to hear of the financial difficulties Mr C has experienced since receiving this loan and I note that Zopa and our investigator gave some information about places Mr C could go for help. While I do not think that Zopa acted unfairly at the time the loan was provided, given what it now knows of Mr C's circumstances, we would expect it to treat him positively and sympathetically and work with him in regard to his outstanding balance.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Mr C has complained about, including whether its relationship with Mr C 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 C 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 do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 October 2025.

Jane Archer
Ombudsman