

Complaint

Mr E has complained about a credit card Zopa Bank Limited (“Zopa”) provided to him.

He says that he shouldn’t have been given the credit card and that it was irresponsibly provided to him.

Background

In January 2022, Zopa provided Mr E with a credit card which had a limit of £300. Mr E wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr E and Zopa had told us. And he thought Zopa hadn’t done anything wrong or treated Mr E unfairly when providing him with a credit card.

So he didn’t recommend that Mr E’s complaint be upheld. Mr E disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve decided not to uphold Mr E’s complaint. I’ll explain why in a little more detail.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr E’s complaint.

Zopa needed to make sure it didn’t lend irresponsibly. In practice, what this means is Zopa needed to carry out proportionate checks to be able to understand whether Mr E could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we don’t think that it is necessarily unreasonable for a lender’s checks to be less detailed – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Zopa says it agreed to Mr E’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr E would be able to make the relatively low monthly repayment required to clear the balance that could be owed within a reasonable period of time.

On the other hand, Mr E says that he had a very low credit score and he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr E was provided with a revolving credit facility rather than a loan. And this means that Zopa was required to understand whether a credit limit of £300 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £300 required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen the information Zopa obtained from Mr E about his income and what was on the credit search carried out. Zopa says that Mr E declared a salary of £28,500.00 a year and that he had housing costs of £400 a month. I've seen that Zopa's credit search showed that Mr E had defaulted accounts recorded against him. In the main, the defaults appear to have been historic. Indeed, the most recent default prior to this account took place around two years prior to this application.

Given how long it had been since they had occurred, I don't think that these defaulted accounts in themselves meant that Mr E shouldn't have been lent to. In my view, it meant that Zopa needed to take more caution which it did do by offering an low initial limit. The extremely low amount being initially being lent here and the credit searches Zopa carried out not showing that Mr E shouldn't be lent to in any circumstances in the way he suggests, leaves me persuaded that Zopa did not need to further verify what was in the information it had before lending.

I accept that Mr E's actual circumstances at the time may have been worse than what the information obtained showed. Mr E says that he was provided with this credit card whilst having issues with gambling. I'm sorry to hear about what Mr E has told us and I accept that it is possible that Zopa might have reached a different lending decision had it known about what Mr E has now told us. But the key thing here is not only did Mr E not make Zopa aware about his gambling, I don't think it can be reasonably expected to have known about this either, as it didn't need to ask for the type of evidence that might have shown this – such as Mr E's bank statements.

In these circumstances, whilst I do sympathise with what Mr E has said and I'm not seeking to dismiss or trivialise what he's told us, it's simply the case that Zopa could not have factored this into its lending decision. I say this particularly in light of my conclusions on Zopa's checks. Bearing in mind the circumstances here, I think that Zopa was reasonably entitled to rely on the information it had been provided with and therefore its decision to lend wasn't unreasonable.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr E might have been unfair to Mr E under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Zopa irresponsibly lent to Mr E or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything I don't think that Zopa treated Mr E unfairly or unreasonably in approving his credit card application. I appreciate this will be very disappointing for Mr E. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind Zopa of its obligation to exercise forbearance and due consideration – particularly given what it now knows about Mr E's situation and his ability to make payments - should there be an outstanding balance on Mr E's account, it own this debt and it be the case that he is experiencing financial difficulty.

I would also encourage Mr E to get in contact with and co-operate with any steps that may be needed to review what he might, if anything, be able to repay going forward. Mr E may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with Zopa's actions in relation to exercising forbearance over any balance it may be owed.

My final decision

For the reasons I've explained, I'm not upholding Mr E's complaint.

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

Jeshen Narayanan
Ombudsman