

The complaint

Mrs H complains that Zopa Bank Limited (Zopa) irresponsibly lent to her. She says Zopa gave her two loans, which were unaffordable.

What happened

Mrs H's application for a Zopa loan of £13,000, with monthly repayments of £472.03, over a term of 36 months, was accepted in February 2020. In April 2023, Mrs H applied for a further loan with Zopa, this time for £13,000, with monthly repayments of £363.78, over 48 months.

Mrs H raised a complaint with Zopa in May 2025. Her concerns were that the loans were granted when she was already highly indebted. Mrs H believes it was clear she was using loans to consolidate other debts but remained unable to get on top of her financial commitments.

Mrs H believes she was encouraged to take out the second loan by Zopa by way of a marketing email. She believes her financial circumstances around the time of both loans were challenging, and it was evident she was taking on increasing amounts of debt to try to manage her existing commitments that she couldn't easily pay in addition to her living costs.

Zopa responded to Mrs H and advised it was rejecting her complaint. In its final response letter, Zopa said it always aimed to be fair and responsible when deciding whether to offer credit, adding that it follows strict rules and regulations to complete a creditworthiness assessment before making any decisions to lend.

Zopa then went on to describe its assessment process. Essentially, that it considers information from Credit Reference Agencies (CRA) and other third parties, together with information the customer provided, internal data (if it has an existing relationship with the customer), and external data (for example Office for National Statistics (ONS) data). Zopa says it has revisited the lending decisions to check they were fair, reasonable, and affordable, and it was satisfied they were.

Mrs H was dissatisfied with this response and referred her complaint to the Financial Ombudsman Service (FOS).

In her submission to FOS, Mrs H said Zopa allowed her to take loans which, in hindsight, she could not afford without taking out additional credit, and she already had a high level of debt in February 2020, across multiple sources. Mrs H believes Zopa failed to adequately review her financial position and some of the information it relied upon in respect of her income was inaccurate, due to her company car commitments and loans through her employer and credit union not being factored into the calculations.

An investigator fully considered Mrs H's complaint. The Investigator concluded that, given Mrs H's level of indebtedness and information relating to late payments on the CRA report, Zopa should have conducted further checks to understand more about Mrs H's expenditure. The Investigator felt it was unreasonable to use ONS data in making its lending decision, as

such a considerable proportion of Mrs H's income was used in meeting the minimum monthly repayments on her credit agreements. The Investigator requested additional information in the form of bank statements, etc, and conducted the assessments which they felt Zopa should have completed during its consideration of the lending.

The Investigator's calculations in respect of the first loan suggested the loan was unaffordable. A similar calculation, in respect of the second loan, resulted in a significant disposable income, which the Investigator felt could support the loan repayments. The Investigator proposed redress in respect of the first loan.

This decision prompted further communications from both Mrs H and Zopa, which I will summarise here. Mrs H believed that some of her expenditure was overlooked, as the CRA data did not include loans taken through a credit union and her employer. Zopa stated that as the first loan was intended for debt consolidation, this would have resulted in Mrs H's existing outgoings reducing, thus positively impacting the affordability of the loan.

The Investigator took into consideration the additional information they had received and performed a revised income and expenditure calculation. This indicated that both loans would have been affordable and the Investigator updated their view accordingly.

Mrs H was dissatisfied with this outcome and requested an Ombudsman's decision, so the case was passed to me to decide.

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've reached the same outcome as the Investigator. I know this will be disappointing for Mrs H, but I hope she'll understand my reasoning.

I'd like to acknowledge the difficulties Mrs H has faced, and I want to thank her for providing detailed information throughout the investigation of the complaint, and for sharing how her finances have impacted her.

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 Mrs H's complaint.

The rules and regulations in place at the time Zopa provided Mrs H with the loans required it to conduct a reasonable and proportionate assessment of whether she could afford to repay the borrowing in a sustainable manner – often referred to as an affordability assessment.

The checks had to be focused on Mrs H. This means Zopa had to consider whether repaying the credit sustainably would cause difficulties or adverse consequences for Mrs H. So, it wasn't sufficient for Zopa to consider the likelihood of it getting the funds back or whether Mrs H's circumstances met its lending criteria - it had to consider if she could sustainably repay the borrowing.

These checks had to be proportionate to the circumstances of the lending and be dependent on factors specific to Mrs H. These factors would have included her financial history, current situation and outlook, any indication of vulnerability or financial difficulty, and the amount, type, and cost of the credit. I've carefully considered all of this when thinking about whether Zopa did all it needed to, before providing credit to Mrs H.

Loan One

I have therefore considered whether the checks undertaken by Zopa when the first loan was agreed were reasonable and proportionate.

The first loan, granted in February 2020, was for £13,000 over a 36-month term. The purpose of the loan was recorded as consolidation of existing debts. During the application process, Mrs H stated she was a homeowner (with no mortgage), in full time employment, with an annual salary of £63,000.

The Credit Reference Agency (CRA) data from the time detailed unsecured borrowing of £43,338; resulting in a debt-to-income ratio of 68.79%. Zopa calculated, that taking into consideration the existing unsecured borrowing and allowing 5% repayments on the existing credit cards, Mrs H's monthly repayments would be £2190.25. Mrs H's salary was calculated as £3756 net, which Zopa have advised was verified using CRA data.

Zopa has been unable to provide the details it used in respect of assumptions about Mrs H's monthly cost of living expenses, but it has confirmed these were based upon the Office for National Statistics (ONS) estimates, and it concluded that Mrs H's disposable income met its requirements at the time, and the borrowing was affordable. Zopa has stated that it felt the credit utilisation across Mrs H's accounts recorded on the CRA data was healthy, and there was no evidence of recent missed payments or defaults. In addition, as the loan was to be used to consolidate existing borrowing, there was an expectation that this would reduce the existing financial commitments.

In the absence of the assumptions used by Zopa in respect of Mrs H's costs of living I'm unable to ascertain the disposable income figure that was used to determine the affordability of the loan, though Zopa have confirmed that at the time they considered £620 to be a reasonable level. The evidence provided by Zopa shows this threshold was met. It should be noted that using ONS estimates is a reasonable method for lenders to use to calculate a potential customer's disposable income, where there aren't other factors which would suggest a greater understanding of the individual's circumstances are required.

But, as I'm unable to consider the assumptions used by Zopa, I've assessed Mrs H's expenditure based upon her bank statements in the three months leading up to the lending. To be clear, I'm not stating that this action should have been taken by Zopa, but in the absence of the evidence it did use to make its lending decision this is a simple way to get an understanding of Mrs H's financial position at the time.

My calculations show that after deducting non-discretionary commitments and monthly repayments to the new loan, together with the minimum credit repayment figure required to meet her existing financial commitments, Mrs H's disposable income would have been in the region of £400. This would suggest the loan was affordable, whilst still ensuring Mrs H had a financial buffer to address any unexpected or emergency spending requirements.

Having concluded that reasonable checks would likely have shown the borrowing was affordable, I have gone on to consider if the decision to lend to Mrs H was fair. The key factors taken into consideration by Zopa were Mrs H's income, her CRA data (detailing her existing commitments and the way she was managing her financial accounts), her likely outgoings and disposable income – which would demonstrate if the new borrowing were affordable.

Mrs H provided her income during the application process, and this was verified using CRA data. The CRA data also showed that Mrs H's existing financial commitments were being managed, I say this because there were none of the typical indicators of financial difficulties

(for example, repayment plans, defaults, County Court Judgements, etc) contained within the data. Zopa conducted an affordability assessment at the time, and whilst it has been unable to provide the specific details, my calculations support its view that the loan was affordable. So, taking all this into consideration, I don't believe it was unfair of Zopa to provide the first loan to Mrs H.

Loan Two

My considerations for the second loan are the same as detailed above for the first loan. Zopa again was required to conduct reasonable and proportionate assessments to determine if the proposed borrowing was affordable.

The loan, granted in April 2023, was for £13,000 over a 48-month term. The purpose of the loan was not specified. During the application process, Mrs H stated she was a homeowner (with no mortgage), in full time employment, with an annual salary of £79,700. The CRA data from the time detailed unsecured borrowing of £32,589; resulting in a debt-to-income ratio of 57.20% (when the new loan was factored in).

Zopa calculated, that taking into consideration the existing unsecured borrowing and allowing 5% repayments on the credit cards, Mrs H's monthly repayments would be £1368. Mrs H's salary was calculated as £4538 net, and this was verified using CRA data. Zopa has again been unable to provide the details it used in respect of assumptions about Mrs H's monthly cost of living expenses, but it has confirmed these were based upon the Office for National Statistics (ONS) estimates at the time, and it concluded that Mrs H's disposable income was within acceptable limits (Zopa used a figure of £725 at the time) and the borrowing was affordable.

Zopa has stated that it felt the credit utilisation across Mrs H's accounts recorded on the CRA data was healthy, and although there was evidence of a recent missed payment, that in isolation was not of concern. There was no other evidence to suggest any financial difficulties at the time.

Having concluded that the first loan was affordable, based upon analysis of Mrs H's statements, it follows that this loan was likely affordable too. I say this because her income had increased quite significantly, whilst her financial commitments had reduced. Details provided in the application for the loan again stated Mrs H was a homeowner, without a mortgage. A similar analysis of Mrs H's bank statements for the three months preceding this new borrowing suggests an estimated disposable income of around £1000.

When providing credit, a responsible lender needs to follow the rules, regulations and guidance set out by the Financial Conduct Authority (FCA). The rules in relation to lending can be found in The Consumer Credit Sourcebook (CONC). One of the rules I've considered when thinking about Mrs H's complaint is CONC 5.2A.23. It says:

"The firm may have regard, where appropriate, to information obtained in the course of previous dealings with the customer. However, the firm should also consider whether the passage of time could have affected the validity of the information and whether it is appropriate to update it."

What this means in practice is, when deciding to provide additional credit (i.e. the second loan) the lender can draw conclusions from the way in which the customer has managed the existing borrowing, to indicate if providing further lending is affordable and sustainable. Zopa, on this occasion, had the ability to look back upon Mrs H's conduct of the first loan, and it notes that all repayments had been made on time and the loan was settled early. It

was reasonable for Zopa to view this in a positive way when assessing future lending, as her actions demonstrated an ability to sustainably maintain her commitments.

So, taking all this into consideration, I believe the checks undertaken were reasonable and proportionate. Therefore, I have again considered if the decision to lend was fair. I believe the information Zopa used to assess the application was reasonable. Mrs H's income was sufficient to cover her credit commitments and there was nothing in the CRA data which should have raised any concerns or prompted further enquiries. I believe therefore the decision to lend was not unfair.

In her submissions to this service, Mrs H has strongly stated her view that Zopa used incomplete information when assessing her loan applications. In particular, she has raised two concerns. Firstly, that she had taken loans through her employer and a credit union, which were not recorded on the CRA data Zopa had obtained. Whilst I can see these loans on the credit report Mrs H has provided, it is clear they were not included in the CRA data Zopa obtained. Lenders do not necessarily report to all the CRAs, and they are not required to do so. In this instance Zopa made its decision based upon the information it had obtained, and it was reasonable for it to rely upon this. In the absence of any affordability issues or negative CRA data, there was nothing to prompt Zopa to make more detailed income and expenditure enquiries with Mrs H.

Similarly, in respect of Mrs H's second concern, relating to the income figures which Zopa have used, which she believes were inflated because Zopa were not aware she had a company vehicle, which had a benefit in kind tax implication, I believe Zopa did all it needed to when verifying the information. I say this because Mrs H provided details of her gross salary on each application form, and Zopa verified this by reference to the CRA data.

I do understand Mrs H feels that by not making additional enquiries Zopa didn't have all the information it should have when making the lending decisions. However, I need to consider whether Zopa met its obligations in making reasonable and proportionate assessments and whether there was anything in the data which indicated a need to obtain a greater level of detail.

Overall, as detailed above, I'm satisfied that the enquiries made by Zopa were reasonable and the decisions to provide the loans were not unfair to Mrs H.

So, whilst I'm sorry Mrs H has encountered difficulties because of her use of credit, I don't believe Zopa should have been expected to do any more than it did when agreeing to provide the loans. Mrs H has advised this service that she has recently fallen behind on her loan repayments and has contacted Zopa to address this. I would remind Zopa of its obligations to exercise forbearance moving forward. And I would encourage Mrs H to remain in contact with Zopa to get the support she needs to address the difficulties she is facing.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mrs H might have been unfair to Mrs H under section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Zopa did not lend irresponsibly when providing Mrs H with the credit cards or by increasing her credit limit. And I haven't seen anything to suggest that section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

So, while it'll likely come as a disappointment to Mrs H, I won't be upholding her complaint against Zopa for the reasons explained above.

My final decision

It follows that I'm not upholding this complaint as I don't think Zopa Bank Limited lent to Mrs H irresponsibly or unfairly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 19 February 2026.

David Hilton
Ombudsman