

The complaint

Miss M complains that Zopa Bank Limited (“Zopa”) lent to her irresponsibly and that the loans were unaffordable. She further says that she has combined ADHD and mental health issues which leave her financially vulnerable.

What happened

In October 2023 Miss M applied for and received a loan from Zopa (“loan one”). It was in the principal sum of £10,000; for a 48-month term; with an interest rate of 25.2% APR and monthly repayments of £318.84 so that the total amount repayable was £15,304.32. The purpose selected for this loan was “other purposes”.

In October 2024 Miss M applied for and received a further loan from Zopa (“loan two”). It was in the principal sum of £8,496; for a 48-month term; with an interest rate of 22.2% APR and monthly repayments of £259.56 so that the total amount repayable was £12,458.88. The purpose selected for this loan was “debt consolidation”.

In April 2025, Miss M complained to Zopa. She said that it was irresponsible of them to provide her with the loans because of her financial circumstances, and the loans were unaffordable for her.

Zopa looked into the complaint and issued a final response letter in May 2025. They say that they completed creditworthiness assessments for both loans through credit reference agencies; information provided by the customer including income; statistical information; and any internal data they already held. The purpose of loan two was debt consolidation whereby Miss M was expected to use this loan to consolidate existing lines of credit and so reduce her monthly expenditure.

Zopa thought they had carried out reasonable and proportionate checks into Miss M’s circumstances and said that both lending decisions were appropriate and affordable. Miss M should have had enough available income to afford repayments for the credit provided. They didn’t uphold the complaint.

Miss M didn’t accept Zopa’s response and therefore referred her complaint to our service. One of our Investigators looked into it.

He felt for both loans that Zopa had not carried out sufficient checks in light of the loan amounts and the high debt-to-income ratios. They needed to gain a better understanding of Miss M’s financial circumstances.

He went on to consider the position that would have been shown if proportionate checks had been done at the time using bank statements provided to him by Miss M. Based on the disposable income he calculated Miss M would have, he felt Zopa still would have provided both loans. He didn’t recommend that her complaint be upheld.

Zopa didn’t dispute this position, but Miss M did and asked for an Ombudsman’s decision. She said that loan one was not going to repay all her debts; that Zopa had not

considered the repayment of her existing debts and outgoings; and that loan two was approved only 12 months after loan one and her debt-to-income ratio had increased during this period, which was an indicator of financial difficulties. She further said that she was financially vulnerable due to her having ADHD. I am grateful to Miss M for having drawn her health issues to our attention.

The Investigator issued a second view in light of what Miss M had said. His view remained that Zopa should have carried out further checks due to the debt-to-income ratios; but that if they had done, Zopa's decisions to approve the loans were reasonable and he did not consider that they had acted unfairly.

Miss M again asked for an Ombudsman's decision. So the complaint has been 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.

Our approach to complaints about irresponsible and unaffordable lending is set out in detail on our website. I've used this approach to help me decide Miss M's complaint. For example, I've considered the rules and guidance on responsible lending relevant to the times of the lending decisions set out in the Financial Conduct Authority's ("FCA") Consumer Credit Sourcebook ("CONC").

In summary, Zopa needed to carry out reasonable and proportionate checks before providing each loan to ensure they did not lend to Miss M irresponsibly.

There is no set list of the checks Zopa had to do. What constitutes a proportionate affordability check will depend upon a number of factors including, but not limited to, the amount, type and cost of the credit Miss M was seeking as well as her overall financial circumstances. I've kept all of this in mind when considering whether Zopa did what was required before providing each loan to Miss M.

Loan one

When Miss M applied for loan one, she declared an annual gross income of £35,228, assessed by Zopa to give a monthly net income of £2,307.85. This was validated by credit reference agency data. She was working full time.

Zopa went on to assess her monthly expenditure based on statistical information and information provided by Miss M. She was renting with declared monthly rent of £175 and monthly housing costs of £192.50. Their assessed expenditure included existing credit repayments of £597.95. Zopa's estimate of her other nondiscretionary expenditure was statistical.

Zopa also examined her existing credit commitments. Her credit file showed existing credit card commitments of £5,993 and other unsecured debts of £7,416. Miss M did have one default that was recorded in 2019 for an amount of £666. The debt was being managed by a debt collector. No County Court Judgments ("CCJs") were shown by the credit search. There was evidence of quite significant reliance on short term or payday loans between 2018 and 2019.

Considering the loan amount, the high debt-to-income ratio being 68.34%, and clear indications that Miss M had struggled financially around 4-5 years prior to this application, I do not think that the checks that were carried out by Zopa to establish disposable income were reasonable and proportionate. Rather I think Zopa should have carried out further checks before granting loan one to gain a better understanding of Miss M's financial circumstances.

If they had, I think it would have been reasonable and proportionate of them to have completed a full income and expenditure assessment with Miss M prior to granting loan one. Her bank statements for the period 1 July to 29 September 2023 showed average total monthly income of £2,393.12 and average total monthly expenditure of £1,288.93. There was evidence of brief periods of account overdraft but that in isolation does not necessarily preclude a firm from providing credit. The statements showed average net monthly income of £1,104.19 to meet the monthly repayments of £318.84 on loan one and leave £785.35 of disposable income.

Zopa would thereby have seen that reasonable steps to verify Miss M's income and expenditure would have shown that she did appear to have enough disposable income each month to make payments against loan one and to have sufficient net disposable income remaining. Zopa did not act unfairly by providing this loan.

Loan two

When Miss M applied for loan two, she declared an annual gross income of £32,000, assessed by Zopa to give a monthly net income of £2,128.29. This was validated by credit reference agency data. She was working full time. The declared purpose of this loan was "debt consolidation".

Zopa went on to assess her monthly expenditure based on statistical information and information provided by Miss M. She was renting with declared monthly rent of £175 and monthly housing costs of £192.50. Their assessed expenditure included existing credit repayments of £1,055.60. Zopa's estimate of her other nondiscretionary expenditure was statistical.

Zopa also examined her existing credit commitments. Her credit file showed existing credit card commitments of £8,764 and other unsecured debts of £13,865. Miss M did have one default recorded in 2019 for an amount of £426. The debt was being managed by a debt collector. No CCJs were shown by the credit search. There was evidence of quite significant reliance on short term or payday loans between 2018 and 2019. There were no defaults on loan one.

Considering the loan amount and the debt-to-income ratio being 72.05%, and clear indications that Miss M had struggled financially about 5-6 years prior to this application, I do not think that the checks that were carried out by Zopa to establish disposable income were reasonable and proportionate. Rather I think Zopa should have carried out further checks before granting loan two to gain a better understanding of Miss M's financial circumstances.

If they had, I think it would have been reasonable and proportionate of them to have completed a full income and expenditure assessment with Miss M prior to granting loan two.

Her bank statements for the period 2 July to 1 October 2024 showed average total monthly income of £2,384.62 and average total monthly expenditure of £1,488.02. There was evidence of brief periods of account overdraft but that in isolation does not

necessarily preclude a firm from providing credit. The statements showed average net monthly income of £896.60 to meet the monthly repayments of £259.56 on loan two and leave £637.04 of disposable income.

Zopa would thereby have seen that reasonable steps to verify Miss M's income and expenditure would have shown that she did appear to have enough disposable income each month to make payments against loan two and to have sufficient net disposable income remaining. Utilised for its selected purpose, Miss M's existing credit repayments would have been significantly reduced. Zopa did not act unfairly by providing this loan.

Therefore, whilst it will likely come as a disappointment to Miss M, I think the checks that would have been carried out by Zopa at each stage would have been reasonable and proportionate and I don't think Zopa treated her unfairly in their decisions to provide her with these loans.

I've looked carefully at Miss M's points that loan one was not going to repay all her debts; that Zopa had not considered the repayment of her existing debts; that her debt-to-income ratio had increased pre loan two; and that she was financially vulnerable due to having combined ADHD.

However, loan one was not expressed to be for debt consolidation. Utilised for its selected purpose, loan two would have significantly reduced Miss M's existing credit repayments. Given reasonable and proportionate checks, Zopa would have decided to approve the loans notwithstanding the high debt-to-income ratios. They were not aware when approving the loans that she was financially vulnerable due to having combined ADHD.

Overall, I've not seen anything in the further checks that ought to have caused Zopa to need to understand more about Miss M's circumstances; or to take the decisions not to have lent at all either in October 2023 or October 2024.

I've also considered whether the relationship between Miss M and Zopa might have been unfair to Miss M under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already given, I don't think that Zopa lent irresponsibly to Miss M or otherwise treated her unfairly in relation to this matter. Nor have I 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 Miss M to accept or reject my decision before 5 February 2026.

Richard Ellison
Ombudsman