

## **The complaint**

Ms W complains that Zopa Bank Limited ('Zopa') irresponsibly agreed to give her finance she couldn't afford to repay.

## **What happened**

In February 2023 Ms W acquired a used car financed by a fixed term hire purchase agreement from Zopa. Ms W was borrowing £19,500 to be repaid over 60 months by way of monthly payments of £409.32. The total repayable under the agreement was £24,559.20.

I understand the agreement was terminated in August 2024, a notice of default having been issued a month earlier. The car has since been sold at auction with a balance still being owed by Ms W.

Ms W says Zopa shouldn't have offered her the finance and didn't complete adequate affordability checks. If it had, she says it would have seen the agreement wasn't affordable.

Zopa didn't agree. It said that it carried out a thorough assessment, relying on what she said in her application, checking her credit file and checking if she could afford the finance using statistical information.

Our investigator looked into the complaint and didn't think Zopa had acted unfairly in agreeing to lend to Ms W. He also thought Zopa had provided enough help and support when she got into difficulty with meeting the monthly repayments.

As Ms W doesn't agree that Zopa has acted fairly, the complaint has been passed to me for 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.

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 Ms W's complaint.

Before granting the finance, Zopa gathered evidence and information Ms W's financial circumstances and her ability to repay. On her application, Ms W said she was employed full-time and earning an annual income of £19,500. That would work out to a take-home pay each month of around £1,450. She was occupying her home as a tenant. I can't see that Zopa took steps to verify her actual income.

Zopa also arranged a credit check to look into Ms W's other borrowing, finding that she owed just under £5,000 on credit cards which, allowing for a sustainable 5% repayment, would be costing her around £250 per month. The check didn't show any recent adverse markings on Ms W's credit file.

To see if the lending was likely to be affordable, Zopa used statistical information to work out what Ms W needed to spend each month by way of committed spending, such as housing costs and food. Ms W wasn't asked to provide details but instead Zopa looks likely to have estimated these using statistical information.

I agree with our investigator that Zopa doesn't appear to have verified Ms W's income or taken steps to find out more about her monthly spending. Without knowing more about the source and stability of her income alongside what Ms W's regular committed expenditure was, Zopa wouldn't have got a reasonable understanding of whether the agreement was affordable or not. I think that's relevant here given that the monthly repayments represented a significant part of her monthly income and was something she'd need to keep paying regularly for the next five years.

It follows that I therefore don't think Zopa completed proportionate checks. However, I next need to consider whether it would have made any difference if Zopa had done these.

One of the ways that a business could be able to find out more about and so verify Ms W's typical spending is by reviewing her bank statements. Ms W sent us some bank statements from the period before the agreement was taken out. These came from her current account and also savings accounts. I think these give a fair indication of what Zopa would likely have found out had it completed proportionate checks.

The statements show that Ms W was receiving a monthly average income from her employment of around £1,100. They also show she was receiving state benefits of at least £1,000 per month. In addition she was receiving some ad hoc payments and making transfers from savings.

In terms of outgoings, I can see evidence of her paying the credit she owed, including household costs such as utilities, food and car-running costs. Ms W told us that she was also paying £900 per month in rent and I can see this on her bank statement as well.

Our investigator thought that Ms W would be left with around £750 per month by way of disposable income, given that her average monthly income in the run-up to being granted the finance worked out to around £2,550. I broadly agree that it was reasonable for our investigator to arrive at this figure, based on what he'd found in the bank statements. Ms W disagrees, pointing out that her cold weather payment had been included along with some money transferred from savings and ad hoc payments from her mother. I think it's important to emphasise here, that we're not looking for a forensic analysis of Ms W's financial situation. A business thinking to lend to a new customer needs to take reasonable steps to look for issues of concern that might suggest a consumer's situation was at risk of deteriorating.

I accept it's possible that Ms W's actual circumstances might not have been fully reflected either in the information she provided to Zopa when she made her application – I see for instance that on her application she said she was working full-time, but that doesn't seem to be the case. But what I've seen is enough to satisfy me that she had sufficient funds available to be able to sustainably repay the new loan. And I say that taking on board that there might be occasions when she would be financially stretched and may have to make economies in terms of non-essential spending.

The ultimate question I have to ask though is whether the lending was fair. On that basis, I'm in agreement with our investigator that although Zopa should have carried out more thorough checks, from the evidence and information I've seen I don't think doing so would have been likely to affect the decision to lend.

Looking at the help and support provided to Ms W by Zopa, the notes and paperwork I've seen shows that Zopa took steps to support her by providing breathing spaces and two reduced payment plans. Unfortunately, because Ms W wasn't able to keep up the payment plan, this led to a notice of default being issued in July 2024 and the account being terminated a month later. I've seen that this only happened after a further payment plan had been set up where Ms W missed the first payment.

I would like to add that I'm sorry to hear that Ms W's situation was affected by a sudden change in her personal circumstances which put unexpected pressure on her finances. She has also told us about a health condition, although it's not something I can see she told Zopa about.

It follows that, taking all of this into account, I don't think Zopa acted unfairly when approving the finance application or in the help and support it provided during the course of the agreement.

Finally, I must impress on Zopa that going forwards it should treat Ms W with the level of forbearance and due consideration that we would expect under our rules in relation to repaying what she still owes.

I've also considered whether the relationship between Ms W and Zopa 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 Ms W or otherwise treated her unfairly. And I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I am sorry to have to disappoint Ms W with what I know won't be the outcome she was hoping for.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 27 November 2025.

Michael Goldberg  
**Ombudsman**