

The complaint

Mr C complains that Zopa Bank Limited lent to him irresponsibly.

What happened

Mr C took a loan from Zopa on the following terms:

Date	Amount	Term	Monthly repayment	Total payable
23 January 2024	£6,000	48 months	£193.28	£9,277.39

On 13 January 2025, Mr C complained to Zopa. He said Zopa ought to have seen from his credit report that he *“had taken out many significant loans with other providers over the previous 12-18 months”*. He said if it had carried out appropriate checks Zopa ought to have refused to lend to him.

Zopa looked into Mr C’s complaint and issued a final response letter. It explained it had used what Mr C had declared, information it gathered from the credit reference agencies (CRA), and data provided by the Office of National Statistics (ONS) to assess his application. Zopa considered the loan was affordable and, as it was for consolidation, would save Mr C some money. It didn’t uphold the complaint.

Mr C didn’t accept Zopa’s response, so he referred his complaint to this service. One of our investigators looked into it. She noted that Mr C had taken several loans in the months leading up to this application, and felt that ought to have led Zopa to take a closer look to ensure this loan would be affordable. She went on to look at Mr C’s bank statements and calculated he had a negative monthly disposable income of around £280. She felt Zopa ought to have refused to lend to Mr C and explained how things should be put right.

Mr C accepted our investigator’s view of the complaint, but Zopa didn’t. It said that if Mr C had used the loan for consolidation purposes as intended, it would have saved him approximately £150 per month. As there was no agreement, 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.

Having done so, I reached a different conclusion from that of our investigator. I issued a provisional decision saying:

“We’ve set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I’ve considered this approach when deciding this complaint.

Zopa needed to carry out reasonable and proportionate checks to ensure that it didn’t lend to Mr C irresponsibly. I think there are key questions I need to consider in order to decide what

is fair and reasonable in the circumstances of this complaint:

- *Did Zopa carry out reasonable and proportionate checks to satisfy itself that Mr C was in a position to sustainably meet the repayments?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Zopa make a fair lending decision?*
- *Did Zopa act unfairly or unreasonably towards Mr C in some other way?*

Zopa had to carry out reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the loan sustainably. It's not about it assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the repayments and the overall circumstances of the borrower.

Zopa looked at Mr C's income, his credit file and used a widely used tool to estimate his expenditure. Often that kind of information is sufficient to entail a reasonable and proportionate check. But just gathering that information isn't sufficient in itself – a lender needs to consider what it's found and how the proposed repayments will affect the borrower.

Mr C declared an income of £71,000 a year which Zopa calculated as a net monthly pay of £4,124 and verified electronically. Mr C's credit file showed he had £73,000 or so in existing credit commitments (including a hire purchase of £25,000), and that the purpose of this application was to consolidate some of that debt. He had housing costs of £750 per month. After considering this information and using ONS to estimate his expenditure, Zopa calculated he had a net disposable income of £912.07 from which to repay this loan of £193. So on the face of it, I understand why Zopa agreed the loan.

But I think based on what it saw, Zopa ought to have taken a closer look at Mr C's application. As he has said, Mr C had taken a number of loans with other providers in a relatively short space of time and had a significant amount of unsecured debt.

According to the credit file Zopa has provided, he had taken three loans within three months of this application, as well as a further three loans, a credit card and a mail order account earlier in 2023. The credit card had a balance of £1,125 against a limit of £1,250 and the mail order account had a balance of £4,466 against a limit of £4,900. On top of these facilities, he had several more active accounts which were older and all the revolving credit (credit cards and mail order accounts) were at – or close to – their limits.

While all his agreements were up to date, I think it would have been sensible for Zopa to take a closer look at Mr C's income and expenditure given the amount of credit he had already, as well as the volume that he'd taken on in the last year.

The rules lenders must follow when agreeing to lend to customers are set out in the Consumer Credit Sourcebook (CONC). CONC doesn't set out any specific ways of looking more closely at an applicant's income and expenditure.

But one way of doing so might have been to request sight of his bank statements. As I've mentioned above, Mr C provided his bank statements for the three months or so before he applied for this loan. Our investigator looked into them and noted the main statements were for a joint account. After obtaining a list of direct debits from Mr C, and asking who was responsible for each, she attributed certain elements of spending to him and others to his partner. But I don't think that is reasonable as I don't think that is what I'd have expected Zopa to do had it reviewed the statements.

I say this because CONC 5.2A.12 says:

“The firm must consider the customer’s ability to make repayments under the agreement:

(1) as they fall due over the life of the agreement and, where the agreement is an open-end agreement, within a reasonable period; (2) out of, or using, one or more of the following:

(a) the customer’s income;

*(b) income from savings or assets jointly held by the customer with another person, income received by the customer jointly with another person or **income received by another person in so far as it is reasonable to expect such income to be available to the customer to make repayments under the agreement;**” [my emphasis]*

The joint bank statements show that each party has their salary paid into that account totalling around £6,000 per month. The majority of household expenses and financial commitments were paid from that account. The list of direct debits Mr C provided (which includes some of a discretionary nature and includes expenses such as mortgage, council tax, utilities etc as well as finance agreements for each) totals around £3,800, which leaves a disposable income of around £2,200 per month from which to make the payments to this loan and other important items such as food, petrol and some entertainment.

I don’t think Zopa would have cause to think that Mr C’s partner’s income would not continue to be available to make payments under the agreement as set out in CONC. I note too that this loan was intended for debt consolidation and could have saved around £150 per month had it been used solely for that purpose.

Overall, while I think Zopa ought to have done more to understand Mr C’s income and expenditure, if it had done so, I think it would still have agreed to lend to him. It follows that I think it made a fair decision to lend.

I’ve carefully considered all the evidence provided by each party to this complaint and realise my decision will come as a disappointment to Mr C. 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 of the Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here.

If Mr C is struggling financially, I would encourage him to talk to Zopa and his other creditors to discuss a repayment plan. I remind Zopa of its obligation to treat customers in financial difficulty fairly.”

Zopa accepted my provisional decision, but Mr C didn’t. He provided detailed income and expenditure calculations (i&e) on the basis of his sole finances and another joint one including his partner’s details. In summary, he also:

- acknowledged what CONC says, but questioned the reasonableness of including his partner’s income, He said Zopa did not verify that his partner could support the new loan in his name;
- referred to the i&e’s produced and explained the “*apparent surplus was not real*”;
- said he’d taken a £10,000 loan in December 2023 which should have been taken into account;
- explained he had taken out several credit agreements for mobile phones which he’d sold in order to obtain the cash value of the phone;

- didn't agree with Zopa that the loan could have saved him £150 per month had he used it for the intended consolidation.

I looked closely at the i&e's Mr C has produced and thought carefully about the comments he's made. Having done so, I'm sorry to disappoint him, but I'm not persuaded to change my decision.

To recap, I found that the checks Zopa carried out would generally be considered reasonable and proportionate, but in view of the high level of credit Mr C had, I felt it ought to have done more. There are no rules about what Zopa ought to have done – it may simply have had a conversation with Mr C to understand more about his situation, or it may have conducted a very detailed i&e. While I can't say for sure what it would have done, I think it's more likely than not that had it done either of those two extremes, it would still have agreed to lend to him.

Based on Mr C's own i&e calculations he was left with £850 based on his sole finances and £1,250 when his partner was included from which to pay living expenses. The payment to this Zopa loan was £193, so on the face of it, the loan appears serviceable.

Mr C pointed out – and I agree – that the loan is in his sole name and his partner is not liable for the loan in any way. I acknowledge too that Zopa didn't take any steps to verify his partner's details. In my decision, I said Zopa ought to have done more than it did to assess his application for credit. I went on to say that if it had done more – perhaps by checking his bank statements, it would have seen his partner's income and may have taken that into account as, in my view, CONC would have allowed it to do so.

I think it's likely that had Zopa asked Mr C for more detail to confirm his ability to afford the loan, it would have received similar information to that set out in the i&e. I acknowledge Mr C says the *"surplus was not real"*. Clearly an individual is going to have the best understanding of their finances, and a lender has to go by the evidence presented to it and that it finds itself. And it's generally accepted that a lender can rely on what it is told by a consumer unless it has good reason to think what it's told is likely to be wrong.

In this case, Mr C presented as a professional, high earner with a proven track record of repaying his debts and servicing existing credit. While he had a lot of outstanding credit, I don't think his budget was on the face of it so tight as to expect Zopa to have questioned what it would have found had it carried out further checks. Had it done those checks as I think it should, I believe Mr C would have been able to demonstrate that the loan was affordable for him at the time.

Mr C took a loan which was credited to the joint account on 20 December 2023 – just four weeks before his application to Zopa. The bank has provided a copy of the actual information it saw when it checked his credit file. I can see that this loan wasn't showing on the report Zopa received. In my experience, that isn't unusual as it often takes six to eight weeks for a credit file to be updated due to reporting cycles. So clearly, I wouldn't expect Zopa to have been aware of it when assessing his application.

I also wouldn't have expected Zopa to identify Mr C's purchase of phones to sell for their cash value. In my experience, there are a number of reasons why people may have several communications credit agreements in their name. And there would be no way for Zopa to know Mr C was selling the phones.

As we know, this loan was applied for to consolidate other debts. From what it saw on his credit file, Zopa has calculated that Mr C could have used the loan to pay off five small loans and almost £2,000 from his credit card. It said payments to these amounted to £345 per

month prior to this loan. So had that happened, the new loan would have saved around £150 per month. While I don't think it played any part in its decision to lend, I don't think Zopa's calculation is unreasonable.

Overall, I am sorry to disappoint Mr C. I acknowledge that perhaps he has found himself in difficulties due to the amount of credit he has taken over the last couple of years prior to this application. But ultimately, I can't reasonably say that Zopa would have been likely to find that the loan was unaffordable for him had it carried out further checks for the reasons I've set out above.

His own i&e's show he had sufficient surplus to sustainably repay the loan – and I wouldn't expect Zopa to have forensically analysed pound by pound what Mr C was spending given his profile and what it knew about him. Based on what Zopa knew and what I think it would have found out had it carried out further checks, I think it would have reached the same decision to lend. I think it reached a fair decision to lend to him.

As I said in my provisional decision, I would encourage Mr C to speak with Zopa (and his other creditors) if he feels he is in difficulty. Lenders have an obligation to treat consumers in difficulty fairly.

My final decision

My final decision is that I don't 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 6 November 2025.

Richard Hale
Ombudsman