

The complaint

Miss C complains that Zopa Bank Limited (Zopa) acted irresponsibly when agreeing to lend to her.

What happened

Around October 2022 Miss C entered into a Fixed Sum loan agreement with Zopa for £7,500. After Annual Percentage Rate (APR) interest of 9.5% and charges were applied, Miss C was required to repay in total £8,603.21 over 36 months at £238.98 each month.

Around January 2024 Miss C entered into a second Fixed Sum loan agreement with Zopa for £4,500 with an APR of 29.8%. The total amount repayable was £7,326.77 over 48 months at £152.64 each month.

Around March 2025 Miss C entered into another Fixed Sum loan agreement with Zopa for £9,900. The purpose of the loan was for debt consolidation. With an APR of 18.8% the total amount repayable was £11,791.54 over 24 months at £491.31 a month.

Miss C complained to Zopa saying they hadn't sufficiently checked whether she could sustain the repayments for the first two loans. And as she'd struggled she'd had to consolidate these loans with a further loan with Zopa.

Zopa said they'd used application, credit reference agency (CRA) and statistical data to assess the affordability of each of the loans. They said their checks were reasonable and proportionate. And based on these checks they'd made fair lending decision(s).

Miss C wasn't happy with Zopa's response and referred her complaint to us.

Our investigator said Zopa had carried out reasonable and proportionate checks. And based on these they'd made fair lending decision(s) as Miss C should have had sufficient disposable income to sustain the repayments.

Miss C didn't agree, she said the assessment didn't reflect her actual financial situation which showed the lending was unaffordable. She asked for an ombudsman 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.

I appreciate my decision will disappoint Miss C but having done so while my reasoning differs I've reached the same overall outcome of that of our investigator. I'll explain why.

Whilst I've read and considered everything, if I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality

We've set out our approach to complaints about unaffordable and irresponsible lending on our website. I've taken this into account in deciding Miss C's complaint.

In considering what's fair and reasonable I've taken account of relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and what I consider having been good industry practice at the time. The rules that apply to credit agreements are set out in the consumer credit sourcebook (CONC) of the Financial Conduct Authority's handbook. CONC is relevant guidance as it covers the need for businesses like Zopa to complete reasonable and proportionate creditworthiness assessments before agreeing to lend.

Zopa needed to take reasonable steps to ensure they didn't lend irresponsibly. In practice this means that they should have carried out proportionate checks to make sure Miss C could repay the borrowing in a sustainable way.

These checks aren't prescriptive but should consider several things such as how much was being lent, the repayment amounts and the consumer's income and expenditure. So, the overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint are:

1. Did Zopa carry out reasonable and proportionate checks to satisfy themselves Miss C was likely to have been able to repay the borrowing in a sustainable way?

- a) If they carried out such checks, did they lend to Miss C responsibly using the information they'd seen? Or
- b) If they didn't carry out such checks, would appropriate checks have demonstrated that Miss C was unlikely to have been able to repay the borrowing in a sustainable way?

2. Did Zopa act unfairly or unreasonably in any other way?

Our approach also considers that affordability checks should be "borrower-focused", meaning Zopa need to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Miss C. In other words, it wasn't enough for them to think only about the likelihood that they would get their money back without considering the impact of repayment on Miss C herself.

CONC says a lender must base their creditworthiness assessment on sufficient information of which they're aware at the time the assessment is carried out. And this information should be obtained, where appropriate, from the consumer and where necessary from a CRA. It also says a lender needs to take reasonable steps to estimate the consumer's income and non-discretionary spending. And a lender generally shouldn't solely rely on a consumer's stated income but seek validation through an independent source such as a CRA or third party. CONC also allows for the use of statistical data in determining a consumer's non-discretionary outgoings. I've considered the checks Zopa did.

Miss C's application data stated she'd an annual salary of £28,500 that equated to a net monthly amount of £1,933.61. She stated she was a homeowner contributing £400 to the mortgage repayments. Zopa's CRA check showed Miss C had two credit cards, one with a credit limit of £4,750 with an outstanding balance of around £4,690, the other with a credit limit of £250 that had an outstanding balance of around £196. And she'd an unsecured loan repayable at £44 each month. Zopa assessed Miss C's unsecured credit commitments to be around £288 each month. The CRA check didn't show any signs of financial vulnerability such as missed payments, arrears, defaults or county court judgments. Zopa also used a benchmark for disposable income using a standard amount from the Office for National statistics (ONS) of £725.

I can see there had been an issue with Miss C's bank and identity check, so Zopa had asked Miss C to provide her bank statements leading up to the lending decision. And based on this evidence they decided the lending was fair as Miss C had sufficient disposable income to sustain her repayments.

I can see from Miss C's credit report that the credit checks Zopa did reflected the information on her report. I can also see from her bank statements that the amount used by Zopa in their assessment for her income was fair and reasonable. Her bank statements showed she was meeting her credit commitments without any signs of financial vulnerability such as unpaid direct debits or overdraft usage. While I can see from the bank statements provided Miss C's income being paid in and some of her credit commitments being paid out, I can't see any transactions specifically for Miss C's mortgage or other housing costs albeit there is a large amount leaving the account each month noted as "savings".

As I can't be sure from the information Zopa has provided as to how they determined Miss C's non-discretionary outgoings, I can't say their checks were reasonable and proportionate.

Miss C has provided a breakdown of her income and expenditure around the time of the lending, which includes all her expenditure. But Zopa are only required to consider Miss C's essential spending, and within Miss C's breakdown she has included what would be considered discretionary spending.

I wouldn't generally expect a lender to ask for further bank statements but as a large amount was being paid into another bank account, of which Zopa was aware (as it was this account that the loan funds were paid into) I think they would for our purposes provide a better understanding of Miss C's income and expenditure at the time of the lending. Miss C has provided the bank statements she gave to Zopa and the bank statements for the account her "savings" went into.

From Miss C's bank account into which her salary is paid I can see she'd credit commitments of around £316, and the large amount being transferred was her contribution to her bills from her other account, she paid on average £750 each month, this included her mortgage, housing and other day to day living costs. Miss C said she spent £350 each month on food and fuel. This would equate to essential outgoings of £1,416 each month. Miss C had an average monthly income of around £1,941 across the three months leading up to the lending, which should have left her with around £525 before the new lending of £238 was factored in. I haven't seen any signs of financial vulnerability such as unpaid direct debits or persistent overdraft usage.

So had Zopa checked further they'd have seen Miss C had a regular salary and was meeting her existing credit commitments without any evident signs of financial struggle. And she'd sufficient disposable income to sustain the repayments.

While the ability to repay credit without issue doesn't mean that there isn't financial distress. A good repayment history is a fairly reliable indicator that an individual can manage debt responsibly. And the opposite is also usually the case, if credit is unaffordable this is usually demonstrated by a problematic repayment history, either to the credit or other bills. So, I'm satisfied Zopa made a fair lending decision.

Around January 2024 Miss C entered into a second loan agreement with Zopa for £4,500. Zopa said they used application and CRA data to assess Miss C's credit worthiness. Miss C stated she worked full time with an annual salary of £28,500 and was a homeowner contributing £400 towards the mortgage repayments. Miss C's income was verified using a CRA. And the CRA checks showed she'd unsecured debt of £10,701, which would include

her existing Zopa loan. Miss C's other credit commitments consisted of the same two credit cards and unsecured loan.

Zopa also had the additional information as to how Miss C was managing her existing loan account with them. And I can see this showed her account was up to date with no missed payments, arrears or adverse charges applied.

Zopa had bank statements for a couple of the preceding months prior to the lending that showed Miss C had a regular income, which I can see was slightly lower. She was meeting her credit commitments, and there weren't any signs of financial vulnerability such as unpaid direct debits or overdraft usage. Again, the statements don't show Miss C's housing costs.

So, I've reviewed her other bank statements. From this I can see Miss C's credit commitments had reduced to around £211, and she was paying around £900 across the three months prior to the lending towards her other bills which included her existing Zopa loan repayment of around £238 and carpet loan of around £44. Miss C said she was paying £350 for food and fuel. This meant Miss C had an average income of £1,856, essential outgoings of £1,461 and a disposable income of around £395 before factoring in the new lending of around £152. So, I can't say Zopa made an unfair lending decision.

Around March 2025 Miss C entered into a third loan with Zopa for £9,900 the purpose of which was to consolidate her existing debt. This was repayable over 24 months, at £491.31

Zopa said they used application, CRA and statistical data to assess Miss C's credit worthiness. Miss C said her annual salary was £30,500, which equated to £2,044.86 each month. She said she contributed £400 monthly towards her mortgage. Zopa's CRA check showed Miss C had credit commitments of £862.35.

Zopa said they validated Miss C's income being around £2,045 deducting her monthly loan repayment, £491 and mortgage contribution £400, which would have left her with a disposable income of around £1,154. They've said they used the ONS benchmark of £725, which would show Miss C had sufficient disposable income to sustain her repayments without causing financial duress.

I can see from Zopa's data that Miss C had credit commitments of around £862 a month. While the loan was for debt consolidation, I haven't seen a breakdown of which debts Miss C was seeking to consolidate, albeit Zopa would look to consolidate her existing loans with them. So, I can't be sure what credit commitments Miss C would have. So, I think Zopa should have checked further.

I can see that Miss C's monthly commitment to her bills was now £1,015 which included her contribution towards the existing Zopa loans, her other credit commitments for a personal loan and credit card was around £470, and she said she paid £350 each month for food and fuel. Miss C's income was around £2,045 which should have left Miss C with a disposable income of around £210 before she consolidated her debt, and it follows her disposable income should increase when she consolidated some debts.

I can see from Miss C's credit report she settled her two existing Zopa loans and another personal loan that she was repaying at £190 a month. As Miss C was repaying her Zopa loans together with her partner, I think her monthly bill contribution would have increased from £1,015 to around £1,065 considering the increase in the Zopa loan repayment from around £392 to £491, so £50 each. Her credit commitments would have reduced to £280 as she was still repaying her credit cards. So, with food and fuel, her outgoings would have been around £1,695, which should have left a disposable income of around £350 for

discretionary and unexpected costs, which would be considered sufficient for Miss C to sustain the repayments.

I can also see that by entering into this loan as it was for a period of 24 months Miss C reduced the overall length of time she'd be indebted for. And it was repayable at a lower APR interest rate than Loan Two.

I appreciate Miss C will be disappointed by my decision, but I hope she has some reassurance from my reasoning as to why I've reached this outcome. While I empathise with her, for me to say Zopa must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Miss C has complained about including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Zopa lent irresponsibly to Miss C or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 18 February 2026.

Anne Scarr
Ombudsman