

The complaint

Miss S complains Zopa Bank Limited (Zopa) approved a loan that was unaffordable.

What happened

Miss S says Zopa approved a loan of £11,000 for her in March 2024 at a time when she already had existing debts and an overdraft facility, so any new borrowing was unaffordable. Miss S wants Zopa to refund interest charged to the loan account.

Zopa says it followed strict guidelines and completed a credit worthiness assessment using credit reference agencies (CRA's), information Miss S declared in her application, external credit sources and previous credit history with them. Zopa says from its checks there were no signs of any financial issues such as defaults, missed payments or CCJ's and Miss S's existing loan held with them had been managed well.

Zopa says from its affordability modelling there was more than sufficient net disposable income to meet any day to day living expenses and the loan was affordable.

Miss S wasn't happy with Zopa's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says there are no set list of checks lenders like Zopa must undertake but these should be borrower focused. The investigator felt the checks Zopa undertook were reasonable and proportionate. The investigator pointed out from Miss S's credit file, there was no evidence of any financial stress such as missed payments, defaults or CCJ's.

The investigator calculated Miss S's net disposable income after the new loan was around £830 per month, so felt there was sufficient available for day to day living expenses. The investigator felt the new loan payments were likely to be affordable here.

Miss S didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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 won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear Miss S says she finds herself in a vicious circle of debt and that must be a source of worry for her. When looking at this complaint I will consider if Zopa acted irresponsibly when it approved a loan of £11,000 for Miss S in March 2024.

As the investigator has pointed out there are no set list of checks lenders like Zopa must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me

to tell Zopa what those checks must consist of, or from what sources those checks should come from.

From the information I have seen Zopa relied upon information declared by Miss S in her application, data provided by CRA's and used industry standard external sources to calculate day to day living expenses. Those checks identified there were no missed payments, defaults or CCJ's recorded and Miss S's existing loan with them had been well managed with evidence of some overpayments.

Miss S had declared an annual salary of £32,000 which equates to a net monthly income of around £2,100 per month, which Zopa verified using external credit sources.

I can see that its credit checks identified Miss S's existing borrowing commitments such as loans, credit cards and an overdraft facility, totalled around £615 per month, not taking into account her existing loan with them, as this was to be repaid from the new loan approved here.

It's worth pointing out Miss S agreed during a phone call with Zopa, the purpose of this new loan was for consolidation purposes, to clear her overdraft, car finance and her existing loan with Zopa. So with that in mind, it is fair to say this would have resulted in a reasonable reduction in Miss S's monthly financial commitments, as her existing loan and car finance alone totalled around £570 per month and her new loan was £324 per month. It's also worth adding that Zopa had held a financial relationship with Miss S, and this had shown she had managed her existing loan well.

From what I have seen Zopa conducted reasonable and proportionate checks before it approved the loan and I wouldn't have expected it to have insisted on any other financial supporting evidence before it approved the loan, which was after all reducing Miss S's net monthly financial expenditure.

While I understand Miss S disagrees with how Zopa have calculated her net disposable income at around £800 per month to meet her day to day living costs, all I can say here is it used data and information from independent sources and Miss S's declared housing costs, and that is what I would expect in those circumstances. While Miss S may not agree I am satisfied the new loan payments looked affordable, which in part is supported by the fact at the time of this complaint, Miss S had met all her monthly payments on time.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974.

However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Miss S will be disappointed with my decision, I won't be asking anymore of Zopa 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 S to accept or reject my decision before 29 December 2025.

Barry White

Ombudsman