

## The complaint

Mr W complains that Zopa Bank Limited lent irresponsibly when it approved his credit card application and later increased the limit.

## What happened

Mr W applied for a Zopa credit card in October 2023. In his application, Mr W said he was employed full time with an annual income of £59,500. Zopa used a service provided by the credit reference agency to verify Mr W's income and used a £3,308.67 a month. Mr W also said he had rent of £550 a month.

A credit search was completed that found Mr W owed around £21,500 in other unsecured debts and was making monthly repayments of £1,212. No adverse credit, defaults or recent missed payments were noted on Mr W's credit file.

Zopa completed an affordability assessment using a monthly income of £3,308, unsecured repayments of £1,212, rent of £550 and £30 representing payments made to a new credit card with a limit of £600. That left an estimated disposable income of around £1,516 remaining to cover Mr W's general living expenses and other spending. Zopa approved Mr W's application and issued a credit card with a limit of £600.

Mr W used his credit card and in May 2024 Zopa contacted him to offer a credit limit increase to £1,300. Zopa says it checked Mr W's account use, credit file and completed a new affordability assessment.

More recently, Mr W complained that Zopa lent irresponsibly and it issued a final response. Zopa said it had carried out the relevant lending checks before approving Mr W's credit card application and increasing the limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr W's complaint. They thought Zopa completed proportionate checks before approving Mr W's application and its decision to issue a credit card with a limit of £600 was reasonable based on the information it obtained. The investigator didn't think the checks completed before the credit limit increase went far enough. The investigator went on to review Mr W's bank statements for the months before the credit limit increase but felt they showed he was able to sustainably afford a credit limit increase taking it to £1,300. The investigator wasn't persuaded that Zopa lent irresponsibly and didn't uphold Mr W's complaint.

Mr W asked to appeal, so his complaint has been passed to me to make 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.

Before agreeing to lend or increasing the credit limit, the rules say Zopa had to complete reasonable and proportionate checks to ensure Mr W could afford to repay the debt in a

sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information Zopa used when considering Mr W's application above. Mr W confirmed his income and Zopa used a tool to verify the level declared – using a figure of £3,308. So I'm satisfied Zopa was using a reasonable income figure when assessing the application. Zopa also completed a credit check to get details of Mr W's existing commitments and used a figure of £1,212 a month. Whilst I accept that was a substantial total monthly repayment, Mr W's credit file shows his commitments were well managed and that there was no adverse information recorded. And Mr W's income level meant the repayment level wasn't unreasonably high.

Mr W gave a rent figure of £550 in the application and Zopa used that, in addition to his unsecured debt repayments, when completing the affordability assessment. Zopa also took the new repayments for a credit limit of £600 into account when completing its affordability assessment. I can see that Zopa reached the view Mr W had £1,516 a month remaining after covering his committed outgoings. In my view, that was a reasonable position to reach following proportionate checks by Zopa. I haven't seen anything in the details obtained by Zopa that wouldn't indicated additional checks were needed when completing the application. I'm sorry to disappoint Mr W but I'm satisfied Zopa completed proportionate checks and the decision to approve Mr W's application was reasonable based on the information it obtained.

Before increasing the credit limit, Zopa checked Mr W's account history. I can see all payments were made on time and that Mr W's balance remained within the credit limit. Mr W's pointed to cash advances he took before the credit limit increase was approved. The credit card statements show Mr W took cash advances but only in April 2024. Whilst I can see Mr W did use his credit card for cash advances in April 2024, I don't think the level of withdrawals was sufficient to indicate he was experiencing financial difficulties.

With the above said, Mr W's credit file does show an increase in his unsecured debts. And given the existing credit limit was more than doubled, I think that should've caused Zopa to complete a more detailed set of checks. One option Zopa had would've been to review Mr W's bank statements for the preceding months. That's the approach I've taken.

In the three months before Mr W's application I found he earned an average of £3,759. Mr W's regular outgoings for items like his rent, utilities, council tax, insurance, transport costs and other unsecured debts came to around £3,200. That left Mr W with around £510 a month after his existing outgoings were covered. In my view, that was sufficient to sustainably cover a £700 increase to the credit limit taking it to £1,300. Whilst I can see Mr W was using his overdraft during this time, his account was well managed with no obvious signs of financial difficulty. In my view, it's most likely that Zopa would've still approved the

credit limit increase to £1,300 in May 2024 if it had carried out more detailed lending checks first. I'm sorry to disappoint Mr W but I haven't been persuaded that Zopa lent irresponsibly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship 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 Mr W or otherwise treated him unfairly. 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.

### **My final decision**

My decision is that I don't uphold Mr W's complaint.

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

Marco Manente  
**Ombudsman**