

The complaint

Mr D complains that Zopa Bank Limited irresponsibly gave him a fixed sum loan agreement he couldn't afford to repay.

What happened

In August 2023, Mr D applied for a loan with Zopa which he said would be used for debt consolidation. He borrowed £7,000 and was required to repay 48 monthly repayments of around £227.

In June 2025, Mr D complained to Zopa to say that the loan had been unaffordable to him from the outset and he had struggled to make the repayments. He said Zopa's affordability checks ought to have shown he was already overindebted before taking out this loan. Zopa didn't agree it had acted unfairly when lending to Mr D.

Our investigator didn't recommend the complaint be upheld. She didn't think Zopa had made an unfair lending decision.

Mr D didn't agree, so the complaint has been passed to me 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.

Before granting credit to Mr D, Zopa were required to complete checks to ensure he could sustainably afford to repay the borrowing. There isn't a set list of checks that needed to be completed. The rules and guidance in place at the time required Zopa to ensure any checks it carried out were proportionate to the specific circumstances of that lending decision. In deciding what would be proportionate, it needed to take into account things such as (but not limited to): the amount borrowed, the purpose of the borrowing, the cost of credit, the size of the regular repayments, the term and Mr D's circumstances.

As part of the application Mr D said he was employed full time earning £29,600 per year. He said he was a home owner and that he contributed £250 per month towards his rent or mortgage. Zopa completed a credit check which showed that Mr D had a joint mortgage and that the monthly mortgage payment was £327. Therefore, the £250 figure Mr D had declared as his contribution I don't think would have caused Zopa any particular concern.

The credit check also showed that Mr D held two unsecured loans, two credit cards with outstanding balances, two current accounts, a communications account, two insurance policies he was paying for monthly and two hire purchase agreements. In total, Mr D had around £38,000 in outstanding debt, not including his mortgage. Zopa calculated that Mr D was paying around £940 per month towards these debts (and a further £250 towards his mortgage).

Zopa also used credit reference agency data to validate the income Mr D had declared on

the application. It said this confirmed that Mr D's stated income was likely to be accurate and that he was receiving around £2,000 per month. Based on this, Zopa said that Mr D would be left with around £810 for other essential living costs which it considered to be reasonable and affordable.

Zopa said that as Mr D had declared he was taking out the loan for debt consolidation, it was reasonable for it to assume Mr D's unsecured debts would not be increasing as a result of taking out this loan. Further, it said his monthly repayments would therefore be unlikely to increase too. In principle, I don't think this was an unreasonable conclusion for Zopa to have reached given what Mr D had said he would be using the loan proceeds for.

The credit check showed that Mr D did not have any late or missed payments on his existing debts or any other adverse entries. It also showed that the smaller of the two loans was due to be fully repaid within the next four months as were both of the insurance policies. His monthly payments towards these three combined was around £100, meaning his outgoings towards his credit commitments was also likely to reduce in the near future.

I've also noted that while Mr D had overdraft facilities on his two current accounts, the credit check revealed that Mr D was in a credit balance at the time of the lending decision and wasn't utilising this borrowing. Mr D has provided copies of his bank statements from the time which show he did use the overdraft in the months leading up to the lending decision. However, it also was in a credit balance at various points. Zopa's credit checks didn't demonstrate Mr D was reliant on overdraft borrowing so I can't fairly say it ought to have had any concerns about this.

Overall, I'm persuaded that Zopa gathered a reasonable and proportionate amount of information and evidence to assess the affordability of the loan. Further, I haven't seen anything to make me think it made an unfair lending decision based on what it knew about Mr D's circumstances.

I say this because Mr D appeared to managing his existing credit commitments well, he didn't appear to be reliant on borrowing (many of his revolving credit facilities were either unused or not close to their respective credit limits) and after taking into account his housing and credit commitments he appeared to be left with a sufficient amount to cover likely essential living costs. Further, Mr D had said he was using the new loan for debt consolidation so it didn't appear this loan would increase his overall indebtedness.

Even if I thought Zopa ought to have carried out a more thorough affordability assessment before lending to Mr D, I'm not persuaded this would have led to any different outcome, and I'll briefly explain why.

Mr D has provided copies of his bank account statements for the months before the loan application. I don't think Zopa needed to review bank statements before lending in this case, but even if they had, I haven't seen anything in the statements Mr D has provided that makes me think Zopa ought to have reached a different lending decision.

The income he declared appeared to be broadly accurate and what Zopa had found out about his credit commitments seemed to be too. While Mr D did regularly utilise his overdraft, it did also go into a credit balance each month. His income appeared to be sufficient to service his regular committed outgoings. Mr D told us that his partner was responsible for covering the majority of their food expenses and other day to day living costs and this appears to be the case from what I've been able to establish from the bank statements Mr D has provided. I think it's likely Mr D would have told Zopa this too had it asked. In doing so, I think this would only have strengthened Zopa's view that the loan was affordable given that much of the essential living costs were being covered by someone

else.

Taking everything into consideration, I'm not persuaded Zopa made an unfair lending decision when it granted the loan to Mr D. I understand Mr D says he is now struggling to repay the borrowing, and I remind Zopa of its obligation to treat Mr D fairly in relation to any financial difficulties he might now be experiencing.

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 Mr D to accept or reject my decision before 25 February 2026.

Tero Hiltunen
Ombudsman