

The complaint

Miss K complains that Zopa Bank Limited was irresponsible in its lending to her. She wants all interest removed from her loans.

What happened

Miss K was provided with two loans by Zopa, the details of which are set out below.

Loan	Date	Amount	Term	Monthly repayments
1	July 2022	£15,000	60 months	£360.25
2	June 2023	£7,500	48 months	£229.43

Miss K believes the loans were unaffordable given her existing debts. She said that when she applied for the second Zopa loan she had three credit cards that were at their limits, other loans (including the Zopa loan) as well as overdrafts. She explained that she was using new debt to pay off existing debt and that her financial worries have affected her health and she has been placed on medication for anxiety. She said she was currently making her repayments through a debt management plan (DMP) but that Zopa keeps demanding money which has further increased her stress levels.

Zopa issued a final response to Miss K's complaint dated 14 May 2025. It explained that when assessing a loan application it used data from credit reference agencies, information provided by the applicant, data it held internally and third-party data. It said affordability and credit checks were undertaken and noted the first loan was intended for debt consolidation. It said that based on its checks the loans were affordable for Miss K.

Miss K referred her complaint to this service.

Our investigator thought that further checks were needed before the loans were provided. He therefore looked through Miss K's bank statements for the months leading up to the lending to see what further checks would likely have identified. Having done so he thought that the loans appeared affordable and so he didn't uphold this complaint.

Miss K didn't accept our investigator's view. She said that her expenses were higher than had been included in the affordability assessments and she submitted further evidence to support this.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint upholding the second loan. The details of my decision are set out below.

Zopa provided Miss K with substantial loans. Therefore, we would expect it to have gathered sufficient information to be able to establish a clear understanding of her specific financial circumstances before lending. Having looked through the checks undertaken, Zopa gathered information about Miss K's employment, income, housing costs and the purpose of the loan. Miss K declared that she was employed full time with an annual income of £40,050 (loan one) and £43,000 (loan two). Zopa validated Miss K's income using a credit reference agency tool. A credit check was carried out which showed Miss K had other credit commitments, but that she was managing these with no arrears or missed payments recorded.

While Miss K's credit report didn't show signs that she was struggling to maintain her existing credit commitments, it did show that she had a relatively high amount of unsecured debt. Given this and noting the size of the loans and the monthly repayments, I think that further checks should have been carried out to verify Miss K's income and expenses to ensure the loans would be sustainably affordable for her.

Zopa wasn't required to request copies of Miss K's bank statements, but as I think further checks should have happened, I have looked at the information contained in Miss K's statements to see what further checks would likely have identified.

Loan one: July 2022

Miss K declared an annual income of £40,050 which Zopa calculated to give a net monthly income of around £2,576. Based on the evidence I have seen, I do not find this unreasonable.

Miss K had outstanding debts on her credit cards, an overdraft and an existing loan. She has also said she was repaying a private loan, and these payments are shown in her statements. The total costs of these repayments were around £1,220 a month. However, as this loan was for debt consolidation, I think it reasonable to factor that into the assessment. The Zopa loan was sufficient to clear Miss K's credit card and overdraft balances. This would result in a deduction of around £745 against the cost of the Zopa loan repayments of around £360. So, after the Zopa loan repayments based on the loan being used to consolidate Miss K's credit cards and overdraft, her credit repayments would be around £835 a month.

Miss K declared her housing costs as £450 and based on her statements these appeared to be around £484. She also provided details of other costs she was paying including utilities, phone, insurance and other membership costs. These totalled around £430 a month. Additional to this Miss K said she spent around £290 a month on food, fuel and clothing. However, taking these costs into account, and on the basis the loan was used for debt consolidation as Miss K had stated, I do not find that I can say that this loan should have been considered unaffordable.

I have also considered whether there were other reasons why the loan shouldn't have been given. However, having looked through Miss K's credit file, while she had existing debts, I do not think these were at a level that meant further lending shouldn't be provided, and noting the purpose of the loan, and that Miss K was managing her existing commitments, I do not find I can say her credit results meant that Zopa was wrong to provide the loan.

So, for the reasons set out above, I do not uphold this complaint in regard to loan one.

Loan two: June 2023

Loan two was provided around a year after loan one. Miss K had maintained her repayments on loan one and so I do not think her account management with Zopa raised any issues.

Loan two was for £7,500 and the purpose of the loan was recorded as 'other'. As there was no suggestion that this loan was to be used to consolidate other debts, I have considered the full amount as additional credit.

Miss K declared an annual income of £43,000 which Zopa calculated to give a monthly net income of around £2,740. Having looked through the statements Miss K has provided; these support the income figure used. Miss K had existing credit commitments including credit card accounts and the Zopa loan. The credit check showed her existing credit commitments required monthly repayments of around £1,250. Miss K was still making repayments of around £120 to a friend. Adding this and the new Zopa loan repayments would bring her total costs for credit to around £1,600 a month. This means that Miss K would be spending around 58% of her net monthly income on her credit commitments. I think this should have raised questions about whether this was sustainably affordable for her.

Deducting from Miss K's net income her monthly credit commitments (£1,600), mortgage (£484) other regular costs for expenses such as communications /media contracts, utilities, insurance and memberships (£430) and food, fuel and clothing (£290) would result in a negative disposable income, before any additional or unforeseen costs were included. Given this, I think that further checks would have shown this loan not to be sustainably affordable for Miss K and so I am upholding this complaint in regard to loan two.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Miss K has complained about, including whether its relationship with Miss K might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss K in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Miss K accepted my provisional decision. Zopa noted that had the payments of £120 to Miss K's friend been included in its assessment, this would have affected the affordability but said it wasn't reasonable to accept that this would have been identified as an essential commitment even if bank statements had been requested. It said that based on its assessment, Miss K had around £110 of disposable income after all essential outgoings.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As I set out in my provisional decision, I think that further checks should have taken place before the loans were provided. However, I do not think that the evidence these would have identified was such that Zopa was wrong to provide loan one. As this position has been accepted, I do not intend to comment on this loan further.

In my provisional decision, I also set out my reasons why I thought that the further checks would have shown loan two to be unaffordable for Miss K. Zopa responded to this saying that its calculations supported the loan being affordable and so I have looked again at this loan.

Loan two was for £7,500 and required monthly repayments of around £229. The purpose was 'other' and so I have calculated this as additional credit (as opposed to debt consolidation). Miss K's monthly net income of £2,740 is supported by her account statements. Her credit file showed her credit commitments (excluding her mortgage) were around £1,250 (before this Zopa loan). Including the Zopa loan repayments would result in Miss K's repayments for credit commitments being over 50% of her income which I think should have raised questions about the sustainability of the loan.

Having looked through Miss K's bank statements, additional to the credit commitments shown in her credit file, Miss K has said she was repaying a private loan for around £120 a month. These payments are shown in Miss K's account statements and while I note Zopa's comments I think further questioning would have identified this as an additional regular cost for Miss K, noting the payments were recorded as bill payments. Miss K's living costs totalled around £720 a month. Deducting the £1,250 of credit commitments, £484 mortgage, £720 of living costs and £229 Zopa loan repayments from Miss K's income would leave only around £57 for any other costs, so even if the repayments for the private loan weren't included, I think further questions would have raised concerns about the sustainability of this loan. If the repayments of around £120 a month were included, then Miss K's disposable income is negative.

So, while I note Zopa's comment in response to my provisional decision, in this case I do not find that my conclusions have changed, and I am upholding this complaint regarding loan two.

Putting things right

As I do not think that loan two (June 2023) should have been provided, Zopa shouldn't be able to charge any interest or charges on this credit agreement.

Therefore, Zopa Bank Limited should:

- Remove all interest, fees and charges from the balance on loan two and treat any repayments Miss K has made towards the loan as though they had been repayments of the principal loan amount of £7,500.
 - If that means that Miss K would have made overpayments, then it must refund these with 8% simple interest* calculated from the date the overpayments would have arisen, to the date the complaint is settled.
 - Alternatively, if there is still an outstanding balance on loan two, Zopa should try to agree an affordable repayment plan with Miss K.
- It must remove any adverse information recorded on Miss K's credit file in relation to this loan, once it has been repaid.

*HM Revenue & Customs requires Zopa Bank Limited to deduct tax from this interest. It should give Miss K a certificate showing how much tax it's deducted, if she asks for one.

My final decision

My final decision is that I uphold this complaint in regard to the second loan. Zopa Bank Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 30 December 2025.

Jane Archer
Ombudsman