

The complaint

Mr H complains that Zopa Bank Limited lent irresponsibly when it approved two credit card applications he made.

What happened

Mr H applied for a Zopa credit card (card 1) in September 2021. In his application, Mr H said he was employed with an annual income of £69,000. Mr H also said he was renting at £650 a month. Zopa carried out a credit search and found Mr H had outstanding debts totalling around £21,000. No adverse credit like County Court Judgements, IVAs, payday loans or defaults were noted on Mr H's credit file. Zopa carried out an affordability assessment using Mr H's income, rent, credit commitments and an estimate for his general living expenses. Zopa approved Mr H's application and issued a credit card with a limit of £400.

Mr H used card 1 until June 2022 when the balance was repaid and account closed.

In November 2022 Mr H applied for another Zopa credit card (card 2). In this application, Mr H said he was employed with an annual income of £79,000. Mr H also said he was renting at £600 a month. A new credit search found Mr H had outstanding debts of around £42,500. No new adverse credit or recent missed payments were noted on Mr H's credit file. Another affordability assessment taking Mr H's income and regular outgoings into account was completed. Zopa approved Mr H's application and issued a credit card with a limit of £500.

More recently Mr H complained that Zopa lent irresponsibly and it issued a final response. Zopa said it had carried out the relevant lending checks before approving both applications and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr H's complaint. They thought Zopa completed reasonable and proportionate checks before approving both applications Mr H made. The investigator wasn't persuaded Zopa lent irresponsibly and didn't uphold Mr H's complaint. Mr H asked to appeal and noted Zopa hadn't checked his bank account and would've seen some gambling and poor credit rating.

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 by increasing the credit limit, the rules say Zopa had to complete reasonable and proportionate checks to ensure Mr H 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 H's application above. Mr H gave his income details and Zopa has confirmed it was verified via a service provided by the credit reference agencies. I can see Mr H had outstanding debts of around £21,000 and that there were some instances of missed payments. But the arrears information was limited and all accounts were up to date at the point of application. Zopa's also shown it completed an affordability assessment taking Mr H's rent, existing debts and general living expenses into account. I can see that Zopa ultimately reached the view Mr H had sufficient disposable income available to cover repayments to a new credit card with a limit of £400. And I'm satisfied that the conclusions reached by Zopa showed Mr H was able to sustainably afford a new credit card with a £400 limit.

I think it's reasonable to note the credit limit of £400 was modest which reduced the potential for financial harm to Mr H. In my view, the level and nature of Zopa's checks were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to issue a credit card with a limit of £400 was reasonable based on the information Zopa obtained. I'm sorry to disappoint Mr H but I haven't been persuaded Zopa lent irresponsibly when it approved card 1.

Card 1 was repaid in June 2022 and the account was closed. Mr H went on to apply for card 2 in November 2022. Again, Mr H confirmed his income, which had increased to £79,000 a year. Mr H also gave a rent figure of £600 that Zopa used in its affordability assessment. Another credit search was completed. I can see Mr H's unsecured debts had increased from around £21,000 in September 2021 to around £42,500 in November 2022. But I think it's fair to note the majority of the increase related to a hire purchase agreement and insurance. I note there was no new adverse information recorded and no recent arrears. And whilst I accept the level of unsecured debt was high, when compared to Mr H's income I think it was reasonable.

Zopa used the information obtained and completed a new affordability assessment, reaching the view Mr H's disposable income was sufficient to sustainably make repayments to a new credit card with a limit of £500. I've looked at the information Zopa used when considering the affordability of the new credit card and am satisfied it reached a reasonable view that a limit of £500 was affordable for Mr H.

Again, I think it's fair to note the limit of £500 was low which means there was a limited financial risk to Mr H. Overall, I'm satisfied the nature of the checks completed by Zopa were proportionate to the £500 credit card it went on to approve. And I'm satisfied the decision to approve the application for card 2 was reasonable based on the information Zopa obtained. I'm very sorry to disappoint Mr H but I haven't been persuaded Zopa lent irresponsibly when it approved his application for card 2.

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 H 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 H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 February 2026.

Marco Manente
Ombudsman