

Complaint

Mr B complains that Zopa Bank Limited (“Zopa”) unfairly entered into a hire-purchase agreement with him. He’s said that the payments to this agreement were unaffordable and so he should not have been lent to.

Background

In November 2023, Zopa provided Mr B with finance for a used car. The purchase price of the vehicle was £10,700.00. Mr B paid a deposit of £300 and entered into a hire-purchase agreement, which had a 60-month term, with Zopa for the remaining £10,400.00 he needed to complete his purchase.

The loan had interest and charges of £4,938.79. All of this meant that the balance to be repaid of £15,638.79 (which does not include Mr B’s deposit) was due to be repaid in 60 monthly instalments of £255.65.

The complaint was considered by one of our investigators. He didn’t think that Zopa had done anything wrong or treated Mr B unfairly. So he didn’t recommend that Mr B’s complaint should be upheld.

Mr B disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr B’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr B’s complaint. I’d like to explain why in a little more detail.

Zopa needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Zopa needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr B before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

Zopa says it agreed to this application after Mr B provided details of his employer and income. It says it also carried out credit searches on Mr B which showed that had had a county court judgment (“CCJ”) taken out against him. Furthermore, the amount Mr B’s existing credit, in relation to his income, wasn’t particularly high and Mr B was maintaining what he already had well.

In Zopa’s view, when reasonable repayments towards the amount Mr B already owed plus a reasonable amount for Mr B’s living expenses (based on average data) were deducted from what it believed to be his monthly income, the monthly payments for this agreement were affordable for him.

On the other hand, Mr B says that the payments were unaffordable and there was no way he was going to be able to maintain them.

I’ve thought about what Mr B and Zopa have said.

It’s fair to say that Mr B had previous had a CCJ taken out against him. However, this was historic. Furthermore, while Mr B may have missed some payments here and there in the past, Mr B had long since brought those accounts up to date by the time of this application. So I think that Zopa was entitled to place more weight on Mr B’s more recent credit activity and I don’t agree that Mr B’s previous credit history in itself means that he shouldn’t have been lent to in the way that he now says.

Mr B has said that he earned less than the amount Zopa believed. However, Mr B declared that he earned around £21,000.00 a year. It’s unclear why Mr B made such a declaration if this wasn’t his income or he didn’t expect to receive this much. Nonetheless, as Mr B provided this declaration in the course of his finance application, I can only assume that he wanted the application assessed on the basis of this declaration.

Equally, Zopa didn’t just rely on what Mr B had stated about his income. It cross-checked Mr B’s declaration against the amount of funds going into his bank account his month and this suggested that his declaration was plausible. Mr B says that this will have included reimbursements for expenses. This may well have been the case. But I don’t think that Zopa could reasonably be expected to know about this.

Bearing in mind what Zopa knew about Mr B’s previous difficulties with credit, there is a reasonable argument for saying that Zopa’s checks before entering into this hire purchase agreement ought to have extended into finding out more about Mr B’s regular living expenses. Having reviewed the information Mr B has provided, it seems to me that when the identifiable actual payments Mr B was making towards his living costs are added to his active credit commitments and then deducted from his income, he, at the time at least, appears to have enough left over to make the repayments to this agreement.

I accept that Mr B’s actual circumstances at the time were worse than what the information about his committed living costs and existing commitments to credit shows. I know Mr B has referred to his gambling. Having looked at the copies of the bank statements for one of the accounts Mr B has now provided us with, I can see gambling. It’s possible – but by no means certain – that Zopa might have decided against lending to Mr B had it seen this.

However, given the circumstances here, what I need to think about here is what were Mr B’s actual committed living costs? – given this was a first agreement and Mr B was being provided with a car, which he would not be able to gamble, rather than cash.

In my view, proportionate checks certainly wouldn't have gone into the level of granularity whereby Zopa should have requested bank statements for all of Mr B's accounts and therefore ought reasonably to have picked up on his gambling. I also think that it is unlikely – and certainly less likely than not – that Mr B made any attempt to disclose his gambling at the time, or that Zopa knew or ought to have known about this. As this is the case, I don't think that what Mr B has told us about his gambling means that he shouldn't have been lent to either.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr B might have been unfair to Mr B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Zopa irresponsibly lent to Mr B or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

Overall and having carefully considered everything, while it could be argued that Zopa ought to have done more here, I'm satisfied that Zopa finding out more about Mr B's actual living expenses would have stopped it from providing these funds, or entering into this agreement with Mr B. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr B. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 March 2026.

Jeshen Narayanan
Ombudsman