

The complaint

Mrs F complains that Zopa Bank Limited (Zopa) acted unfairly in agreeing to lend to her.

What happened

Around April 2024 Mrs F entered into a Fixed Sum loan agreement with Zopa for £9,000. After interest and charges were applied Mrs F was required to repay a total of £10,889.56. This was repayable over 30 months with repayments of £362.99. Mrs F complained to Zopa saying they hadn't properly checked the loan was affordable for her. She said if they had they would have seen her income had reduced, she was in persistent debt and managing her day to day living costs using her overdraft and other credit.

Zopa said their checks were reasonable and proportionate using application, credit reference agency (CRA) and statistical data to assess Mrs F's credit worthiness. Zopa said based on these checks the lending decision was fair as Mrs F should have had sufficient disposable income to sustain the repayments. And they hadn't seen any signs of financial vulnerability.

Mrs F wasn't happy with Zopa's response and referred her complaint to us.

Our investigator said Zopa's checks had been reasonable and proportionate. And that they'd made a fair lending decision. They didn't ask Zopa to do anything differently.

Mrs F didn't agree saying the credit check would have shown her reliance on credit. And that it wasn't fair to base a lending decision on statistical data rather than actual income and expenditure. She asked for an ombudsman to decide.

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.

While I empathise with the position Mrs F finds herself in, for me to say Zopa must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else. I'll explain why.

Whilst I've carefully thought about everything that has been said and provided by both parties, I won't comment on everything in my decision. This is not intended as a discourtesy to either party, but it reflects the informal nature of this service in resolving disputes.

We've set out our approach to complaints about unaffordable and irresponsible lending on our website. I've taken this into account in deciding Mrs F's complaint.

All lenders have an obligation to lend money responsibly. The relevant guidance is within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, CONC. In summary, these say that before Zopa offered the loan they needed to complete reasonable and proportionate checks to be satisfied Mrs F would be able to repay

the debt in a sustainable way. These checks aren't prescriptive but could consider several things. In deciding what was proportionate Zopa needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments, the cost of credit and the consumer's circumstances.

In practice this means that Zopa needed to carry out proportionate checks to make sure Mrs F could repay the borrowing in a sustainable way. So, in reaching my decision I need to consider:

1. Did Zopa complete reasonable and proportionate checks to satisfy themselves that Mrs F would be able to sustainably repay the borrowing?
 - a. If they did, was the decision to then lend to Mrs F fair?
 - b. If they didn't, would reasonable and proportionate checks have shown that Mrs F could sustainably repay the borrowing?
2. Did Zopa act unfairly or unreasonably in some other way?

The affordability checks should be "borrower-focused", meaning Zopa needed to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mrs F. In other words, it wasn't enough for them to think only about the likelihood that they would get their money back without considering the impact of repayment on Mrs F herself.

CONC says a lender must base their creditworthiness assessment on sufficient information of which they're aware at the time the assessment is carried out, obtained, where appropriate, from the consumer and where necessary from a CRA and the information must enable the lender to carry out a reasonable creditworthiness assessment.

A lender should take reasonable steps to estimate a consumer's income and non-discretionary spending. And that it's not generally sufficient to rely solely on a statement of current income made by the consumer without independent evidence such as from a CRA or third party. CONC does allow the use of statistical data for the purpose of estimating a consumer's non-discretionary expenditure.

And where it's reasonably foreseeable that there is likely to be a reduction in the consumer's income, the lender must take reasonable steps to estimate the amount of that reduction. But I haven't seen any evidence that Mrs F made Zopa aware of a potential reduction in her income. And I can't hold a lender accountable for something they aren't aware of.

Taking this into account I've considered the checks Zopa did and what these showed.

Zopa said they used application, CRA and statistical data. From Mrs F's application I can see she said her annual income was £44,000. Zopa cross checked this with a CRA using an accepted standard industry Current Account Turn Over (CATO) check, the outcome of which is checked against the declared income. This validated Mrs F's income, and I don't think it was unreasonable for Zopa to use the net monthly amount of £2,795.79. Mrs F said she contributed £400 towards her monthly mortgage, which the CRA check showed to be £843. As this was a joint mortgage a 50% share is reasonable to use in an assessment.

Zopa also used CRA data to assess Mrs F's credit commitments. This showed Mrs F had £7,457 revolving credit (credit cards), a hire purchase agreement of £26,171 and a fixed loan of £321. In their assessment Zopa showed they considered monthly repayments of £192.65, £20.20 and £160 for Mrs F's three credit card accounts. As Mrs F's other credit commitments were for fixed amounts I can see Zopa used these for her agreed repayments

of £407 for the hire purchase agreement and £54 for the other fixed loan. So, in total they assessed Mrs F had credit commitments of £833.85.

Zopa has shown they assessed Mrs F's credit worthiness by deducting her credit commitments and her new loan repayment amount from her net income. This meant Mrs F would have had around £1,178 in available income. In their use of statistical data Zopa use the Office for National Statistics (ONS) benchmark of £725 for a consumer's disposable income. As Mrs F credit worthiness assessment showed she'd around £450 more than this they deemed the lending was affordable for her.

I've considered the credit file data Zopa has provided. And this shows Mrs F had three credit cards, with credit limits of £5,450, £1,000 and £4300, of which she was using £3,200, £404 and £3,853 respectively (around 70% utilisation). The repayments for credit cards aren't a fixed amount each month like a loan. In assessing Mrs F's credit card repayments I'm satisfied Zopa acted reasonably in assessing Mrs F's monthly repayment using an amount that we'd consider would, on balance, settle any outstanding debt within a reasonable period. I can also see the credit report shows Mrs F fixed loan repayments for her hire purchase agreement and other small loan.

Mrs F has said she was using her overdraft to meet her day to day living spending. And has provided a bank statement for part of the month prior to applying for the loan that showed she was using the overdraft on her account. It's important here for me to clarify that I don't doubt what Mrs F has told us. So, I understand why Mrs F feels Zopa should have done more before they agreed to lend to her. But from the credit bureau data Zopa had, while it shows she had an overdraft arrangement of £1,400, it didn't show any use of that overdraft as the data provided a zero balance. Which means Zopa didn't know Mrs F was as overdrawn as she was when she applied for the loan. It can be that a lender will not see everything a consumer can see on their full credit file – not all lenders report to all the CRA's and there can be timing lags. But I can only fairly expect Zopa to respond to the data their credit check returned.

Also Mrs F had an arranged overdraft which meant that she was using a credit facility that she had permission to draw down funds on. There is no prohibition in relation to a lender lending funds to a borrower that is already using credit in such circumstances.

Mrs F's credit check showed she was meeting her credit commitments with no evidence of missed or late payments, arrears, defaults or county court judgments. While the ability to repay credit without issue doesn't mean that there isn't financial distress. A good repayment history is a fairly reliable indicator that an individual can manage debt responsibly. And the opposite is also usually the case, if credit is unaffordable this is usually demonstrated by a problematic repayment history, either to the credit or other bills.

So, taking all of the above into account, I'm satisfied the checks Zopa did were reasonable and proportionate. I say this as they verified Mrs F's income and gathered a good understanding of her credit commitments from the checks they did which showed she'd sufficient disposable funds to meet her non-discretionary spending. And there wasn't anything immediately obvious in the data they used that showed it couldn't be relied on, including Mrs F's existing credit. And because there was nothing in the checks that would have alerted Zopa I can't say they failed in their obligations when they didn't ask for more detailed information about Mrs F's finances. So, I don't think Zopa needed to have asked Mrs F to provide further evidence in support of her income and expenditure before providing her with a loan in this instance. And based on their checks I think Zopa made a fair lending decision.

Mrs F said the purpose of the loan was for debt consolidation. And while Zopa didn't ask Mrs F what debts she was looking to consolidate, given her unsecured revolving debt was £7,457 (£372.85) and she'd a small loan remaining of £321 (£54), I think it wasn't unreasonable to consider Mrs F's monthly commitments would have been reduced had she settled these balances. While still leaving Mrs F with around £1,200.

I accept Mrs F may not have gone on to clear her existing balances with this loan. But Zopa could only make a reasonable decision based on the information they had available at the time. In my view, all Zopa could do was take reasonable steps to ensure the payments would be affordable for Mrs F. And as Mrs F didn't have a history of applying for loans with Zopa for consolidation purposes and then returning for further funds after having failed to consolidate as she said she would, I think Zopa was reasonably entitled to believe the funds would be used for the stated purpose. I would add that even if Mrs F didn't settle her existing debts this new loan still appeared to be affordable.

I understand Mrs F will be disappointed by my decision but I hope she has some reassurance as to why I've reached the outcome I have.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Mrs F has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given I don't think Zopa lent irresponsibly to Mrs F or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 17 March 2026.

Anne Scarr
Ombudsman