

The complaint

Mrs B complains Zopa Bank Limited (Zopa) failed to carry out thorough enough financial checks before it approved a credit card account and a subsequent credit limit increase for her.

What happened

Mrs B says Zopa approved a credit card account for her in October 2022 and subsequently increased the credit limit on her account from £600 to £1,300 in May 2024. Mrs B says if Zopa had carried out more thorough financial checks, especially at the time of the limit increase, it would have seen she had made multiple applications for credit leading up to this time which should have been a red flag to Zopa.

Mrs B says the lending was unaffordable and it has led her into a spiral of debt which has impacted on her mental wellbeing and she wants Zopa to refund all interest and charges on the credit card account since its opening.

Zopa says before approving the initial credit limit of £600 in October 2022 and the subsequent limit increase to £1,300 in May 2024, it carried out various financial affordability checks using data from external sources, information declared by Mrs B, the ONS and internal data.

Zopa says at the time the initial credit limit was approved and when the limit was subsequently increased, there were no obvious signs of any recent financial stress such as CCJ's, defaults or missed payments and Mrs B's level of external debt was reasonable in comparison to her declared annual income of £44,000. So Zopa didn't feel any further financial investigation was warranted here and its checks were reasonable, its decision to lend was appropriate and the borrowing was affordable.

Mrs B wasn't happy with Zopa's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there were no set list of checks lenders like Zopa must carry out but these should be borrower focused. The investigator felt the checks Zopa carried out at the time the initial credit limit of £600 was approved, were reasonable as there was no evidence of any recent adverse credit history as previous defaults were over 22 months earlier.

The investigator says Mrs B had a declared income of around £44,000 and after her essential expenses and credit costs, Mrs B had a strong net disposable income (NDI) of around £1,300 per month. The investigator felt Zopa could have gathered more information from Mrs B when it increased her credit limit as her income hadn't been verified. The investigator says on checking Mrs B's statements it showed her average monthly income had increased to around £3,566 per month, which meant the new limit approved wouldn't have contributed significantly to her overall debt costs, which in itself hadn't increased by very much at that point.

The investigator pointed out although Mrs B says she had applied for a number of credit

facilities leading up to the increased limit, she could only see one further application as another was taken out at the same time the increase was approved, which Zopa wouldn't have been aware of. The investigator felt given this, the increase was likely to be affordable and Zopa's decision to lend was reasonable.

Mrs B didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Mrs B is experiencing financial issues, which has contributed negatively to her mental wellbeing and that must be a source of worry for her. When looking at this complaint I will consider if Zopa carried out reasonable and proportionate financial checks before it approved a credit card facility of £600 in October 2022 and subsequently increased that limit to £1,300 in May 2024.

Mrs B's complaint centres around her view that Zopa shouldn't have approved a credit card account for her and subsequently increased the limit on that account, as she had external borrowings and she had made multiple other credit applications before the limit increase was approved.

While I understand the points Mrs B makes here, I'm not fully persuaded by her argument and I will go on to explain why.

As the investigator has pointed out there are no set list of checks lenders like Zopa must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Zopa what those checks must consist of, or from what sources those checks should come from.

From the information I have seen, before the initial £600 credit card limit was agreed, Zopa carried out credit searches, income and expenditure assessments and referenced information contained in Mrs B's application, in which she declared she was employed earning circa £44,000 per annum. Based on what I have seen, there was no indication of any external financial pressure nor any indication on Mrs B's credit file of any recent defaults or CCJ's - the last record of any such default was around two year prior, and wouldn't be of a major concern here. So, I'm satisfied before it provided what was a modest initial credit card facility of £600, Zopa carried out reasonable and proportionate checks.

When the credit limit was increased in May 2024 it appears Zopa had relied on previous income levels as part of its affordability assessment and undertook similar checks as it had previously, when the initial limit was approved. It's worth saying by this time Zopa had a financial relationship with Mrs B going back approximately 18 months. From what I have seen during that time Mrs B had maintained her account within the terms of the agreement and on occasions had made more than the minimum payments required. This suggests Mrs B was managing her finances well, given her external indebtedness had only increased by a modest amount, with no further issues being reported.

That said the investigator obtained copies of Mrs B's bank statements for a period leading up

to the limit increase, which indicated Mrs B's income was now around £3,500 per month, meaning the new limit increase wouldn't have impacted significantly on Mrs B's financial costs nor to suggest this was unaffordable in any way.

It's reasonable to say that I wouldn't expect in those circumstances for Zopa to undertake the same level of intensive financial due diligence one might expect to see for say a larger committed long term loan. So, I'm satisfied from the affordability modelling it carried out, based on internal and external data sources, that was sufficient for it to conclude the new and increased lending was affordable.

Like the investigator while Mrs B says she made multiple applications for credit at this time, from what I have seen the majority of those were after the credit limit was increased in May 2024, so Zopa wouldn't have been aware of that at the time. So taking everything into account I am satisfied the checks Zopa undertook were reasonable and proportionate and its decision to provide the initial credit limit and the subsequent increase was fair.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Mrs B has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mrs B will be disappointed with my decision, I won't be asking anymore of Zopa here.

My final decision

My final decision is that I do not uphold this complaint.

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

Barry White
Ombudsman