

The complaint

Mr K has complained that Zopa Bank Limited (Zopa) unfairly provided him with a loan for debt consolidation.

What happened

In July 2023, Mr K entered into a finance agreement with Zopa as shown below.

| Date | Amount of credit | Term | Monthly payment |
|-----------|------------------|-----------|-----------------|
| July 2023 | £9,850 | 48 months | £343.43 |

In January 2025, Mr K complained to Zopa. In the complaint, Mr K said he didn't think Zopa had lent to him responsibly. He felt it had failed to undertake a reasonable assessment of his creditworthiness at the time of the lending. He said he had several other debts at the time and had very recently taken out another loan. Mr K has said that as a result of the rising cost of living and static wages the loan has become unaffordable. He's said had Zopa completed the appropriate checks it would have found the lending was unsuitable for him.

Zopa looked into Mr K's complaint and issued a final response letter explaining it believed it had acted fairly when completing its checks. It said it had confirmed the agreement was affordable by verifying Mr K's income, making a reasonable allowance for essential expenditure, and checking the information the credit reference agencies held. Zopa has said based on the information it found, it believes its decision to lend was fair.

Mr K didn't accept Zopa's response, so he referred his complaint to our service. One of our investigators looked into it, and based on the evidence available, our investigator said he didn't think Zopa's decision to lend was unfair.

Mr K didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me 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.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did Zopa carry out reasonable and proportionate checks to satisfy itself that Mr K was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Zopa make a fair lending decision?
- Did Zopa act unfairly or unreasonably towards Mr K in some other way?

Zopa had to carry out reasonable and proportionate checks to satisfy itself that Mr K would be able to repay the credit sustainably. It needed to assess the likelihood of Mr K being able to repay the credit, as well as considering the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments, the cost of the credit and the customers circumstances.

Zopa has explained that it carried out a credit search to get an understanding of Mr K's situation before it decided to lend. It's said it found no adverse information and that Mr K had a reasonable amount of debt but didn't appear to be over indebted. It said it found nothing in the information supplied by the credit reference agencies that suggested further checks were needed. Having reviewed the information that was available to Zopa, I don't think there was anything that indicated that Mr K was struggling financially, that further checks would be needed or that the loan would be unaffordable.

Zopa says it verified Mr K's income and used his credit file to understand his repayments to other debts. It used the information Mr K gave it about his expenditure and applied estimates for Mr K's other regular living expenses using national data. This is an approach it's allowed to take under the relevant lending rules. And based on this information it appears the loan was affordable for Mr K. Usually I would be satisfied that this was a proportionate check. But in this case Zopa hasn't been able to provide evidence of the income verification it did.

As the regulations say it's not generally sufficient to rely on a customer's declaration of income alone, I would have expected Zopa to be able to provide evidence of the verification check it says it completed. As it hasn't been able to do this, I'm not satisfied the checks in relation to Mr K's income were proportionate. So, I need to establish what a proportionate income check would have shown at the time.

There are a number of ways Zopa could have completed this check, and for the avoidance of doubt, I'm not making a finding here that it needed to see Mr K's statements in order to complete an income assessment. Rather I think it needed to accurately establish Mr K's regular income. That said in the absence of any other evidence, I think it's reasonable to rely on bank statements to establish what Zopa would likely have found had it verified Mr K's earnings.

Mr K was able to provide us with statements for the months before the lending. Having considered these I can see his income broadly matched that declared by Mr K. So, on balance, had Zopa verified Mr K's income, I think it's more likely than not it would have found it to be consistent with what he'd told them.

It's important to note that This loan was also taken out and used for debt consolidation. So, it didn't increase Mr K's overall indebtedness. Mr K has explained that just before taking out this loan he had taken out another loan and used the funds from Zopa to consolidate this and other debts. He feels that Zopa should have known about this recent lending and realised this made the new loan unaffordable.

I appreciate Mr K's point here, but I don't agree. Zopa is entitled to rely on the information it receives from the credit reference agencies, and I can't see that the more recent loan had been reported at the time of this lending decision. This may be because of how recently the loan had been taken out and the time it can take for things to be reported to the credit reference agencies. I think it's likely the only way Zopa would have been aware of this lending would have been to review Mr K's bank statements. Given the type of lending here I don't think this was a step Zopa necessarily needed to take. So, there's no way Zopa could reasonably have known about this debt. And as I've already said I don't think Zopa needed

to see Mr K's bank statements to complete a reasonable and proportionate creditworthiness check.

Overall, I think Zopa's checks should have gone further here. But based on the information now available, including the specifics of the loan, I'm not satisfied that it would have been necessary for Zopa to review Mr K's bank statements prior to lending, there was evidence that the loan may be unsustainable, or that the decision to approve the lending was unreasonable.

I can see that Mr K maintained the agreement for a time but then fell into financial difficulties when his circumstances changed. In response to this Zopa, agreed a payment plan which is in line with the kind of support I'd expect to see where someone is in financial difficulties. I understand the account was eventually defaulted and that this is the subject of a separate complaint, so I won't comment on this further here.

Overall, it's not clear enough to me that Zopa created unfairness in its relationship with Mr K by lending to him irresponsibly, or in the way it handled the account under the credit agreement for the purposes of this complaint. I'm very sorry to disappoint Mr K, but for the reasons set out, I don't find that Mr K's relationship with Zopa was unfair, and I can't conclude Zopa treated him unfairly in any other way in relation to this complaint based on what I've seen.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 23 March 2026.

Charlotte Roberts
Ombudsman