

The complaint

Mr D complains that Zopa Bank Limited (Zopa) irresponsibly entered into a credit card agreement with him.

What happened

In February 2022, Mr D applied for a credit card with Zopa. He was given a credit card account with a credit limit of £4,000.

Mr D complained that Zopa shouldn't have provided him with the credit card account. He said that appropriate affordability checks hadn't been completed and if they had Zopa would have seen that the credit card was unaffordable for him. Zopa didn't think that it had acted unfairly when lending to Mr D.

Our investigator didn't recommend that the complaint should be upheld. They thought Zopa had completed proportionate affordability checks and there was nothing in the checks that suggested Mr D wouldn't be able to afford the borrowing.

Mr D didn't agree. Briefly, his main reasons were:

- His HMRC time to pay arrangement indicates he was in financial difficulty.
- Tax deductions and business expenses have not been considered when calculating his affordability for the borrowing.
- His statements evidenced a high level of spending and reliance on borrowing.
- The full credit limit of £4,000 was not sustainably affordable.

The complaint has been passed to me 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.

There isn't a set list of checks Zopa was required to complete before lending to Mr D. The rules require it to ensure it carried out proportionate checks. What is proportionate will vary with each lending decision and takes into account things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

Mr D declared his annual income to be around £30,000. Zopa says that it verified Mr D's annual income using credit reference agency data, which showed his income to be at least £27,068. Zopa also completed a credit check which showed that Mr D managed his existing credit commitments well, since there were no signs of any adverse information, such as defaults or late payments. Mr D declared his housing costs to be £300 and Zopa says it used statistical data to assess Mr D's likely essential expenditure.

I have considered whether the checks Zopa completed were proportionate to this lending decision. Mr D declared he was self employed and expressed his concern that his gross income was used in the affordability calculations. It's reasonable that when assessing affordability, deductions are made for tax payments. I consider that after allowing for these deductions, Mr D's net monthly income would be around £2,000, based on the figure Mr D declared and Zopa verified.

After deducting Mr D's declared housing costs of £300 and existing credit commitments from this net monthly income, Mr D is left with around £800 per month for essential expenses and this borrowing. Zopa says it used statistical data to estimate Mr D's essential expenditure to be around £620 per month. But given that he was self-employed and was already contributing a large amount to credit commitments, I don't think Zopa went far enough when using ONS data. I'm satisfied that Zopa should have completed further checks to establish what his likely essential expenditure was in these circumstances, rather than relying on a statistical estimate. I say this because it is not clear based on the estimates that Mr D did have enough disposable income at the time to afford a new borrowing of £4,000.

Mr D has provided us with some of his bank statements. I'm not suggesting Zopa needed to review Mr D's bank statements as part of any proportionate affordability assessment. But, I think the statements give a good indication of what Zopa could have learnt about his financial circumstances had it done more.

The statements show Mr D's monthly income and essential expenses. In the three months prior to the application, his average monthly income appeared to be slightly higher than he had declared on the application. It is clear from these statements that Mr D had enough income to cover all his essential outgoings and comfortably and sustainably afford the new borrowing. Because of this, I am satisfied that a fair lending decision was made when Zopa gave Mr D the credit card account with a £4,000 credit limit. I've not seen anything to persuade me that had Zopa asked Mr D about his essential living expenditure (which is all I think it needed to do in addition to what it already did), that it would have likely uncovered any affordability concerns.

I've explained above that I have considered an allowance for the tax Mr D had to pay from his gross income, when assessing whether a fair lending decision was made. Mr D says that his business expenses were not accounted for when assessments were made into his essential outgoings. However, I note that Mr D had a business account where it would be expected that these expenses would be paid from. Further, as these were business expenses, rather than essential living costs, I'm not persuaded Zopa needed to ask about them, or would have reasonably known about them. Because of this, I'm satisfied that a proportionate affordability check would have shown Mr D still had sufficient funds available to sustainably afford the new borrowing.

Mr D has explained that his statements evidence a high level of spending and reliance on borrowing. A high level of spending does not necessarily mean that a customer is struggling financially. I'm satisfied in the circumstances of this case, that Mr D appeared to have enough income to support his essential outgoings and the new borrowing, without using his existing borrowing to make these repayments. Further, it is clear that Mr D would still have a

buffer of funds left over each month for any essential spending that had not been accounted for.

Mr D says that the arrangement he had in place with HMRC demonstrated that he was struggling financially. Mr D was paying HMRC around £400 per month. I'm not satisfied that even if Zopa had known about the arrangement it ought to have caused any particular concern, given it was a payment towards tax from his gross income. When considering only Mr D's net income (less his tax liability), from what I've seen from the bank statements he's provided, I'm satisfied the credit card appeared affordable. I think Zopa would likely have reached this conclusion too, even if it had done more thorough affordability checks. I therefore don't think it made an unfair lending decision.

In reaching my conclusions, I've also considered whether the lending relationship between Mr D and Zopa might have been unfair to Mr D under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Zopa did not lend irresponsibly when providing Mr D the credit card account, or otherwise treat him unfairly in relation to this matter. And I haven't seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

While it'll likely come as a disappointment to Mr D, I won't be upholding his complaint against Zopa Bank Limited for the reasons explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 March 2026.

Jenny Hiltunen
Ombudsman