

## The complaint

Mr M is unhappy Zopa Bank Limited provided him with a loan that was unaffordable. He's represented in his complaint but, for ease, I've written as if we've dealt with him directly throughout.

## What happened

Zopa provided Mr M with a loan for £22,200 in March 2024. This had total interest, fees and charges of £8,326.40 and was due to be repaid in 48 monthly instalments of around £635. The purpose of the loan at the time of the application was recorded as debt consolidation.

Mr M raised an irresponsible lending complaint in December 2024. He said that Zopa failed to carry out a reasonable assessment of his creditworthiness before granting the loan. Had they done so, they would have seen that his outstanding debt stood at around £128,000.

Zopa didn't uphold his complaint, explaining that they thought their decision to open the account was both appropriate and affordable for Mr M. So, Mr M brought his complaint to the Financial Ombudsman.

One of our investigators looked at Mr M's complaint and thought that Zopa shouldn't have agreed to provide Mr M with the loan. He didn't agree that the consolidation loan would improve Mr M's financial circumstances. He found that the loan repayment increased the portion of Mr M's income going towards his debt commitments and he didn't think this was sustainable. So, he recommended that the complaint be upheld.

Zopa disagreed with the investigator, reiterating that the loan would have reduced Mr M's outstanding debts and put him in a better position. They provided a call recording to evidence Mr M confirming the accounts he would be consolidating with the loan. Our investigator maintained that providing Mr M with a further loan wasn't sustainable.

Zopa continued to disagree with our investigator and asked for an ombudsman to look at this case. I issued a provisional decision, explaining that I wasn't intending to uphold the complaint. I explained why, as follows:

*The rules and regulations in place at the time Zopa provided Mr M with the loan required them to carry out a reasonable and proportionate assessment of whether he'd be able to repay it in a sustainable way. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.*

*The checks had to be 'borrower-focused'. This means Zopa had to think about whether repaying the credit would cause difficulties or adverse consequences for Mr M. In other words, it wasn't enough for Zopa to consider the likelihood of them getting the funds back or whether Mr M's circumstances met their lending criteria – they had to consider if Mr M would be able to sustainably repay the lending being provided to him.*

*Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number*

*of factors including – but not limited to – the particular circumstances of the consumer and the amount, purpose, cost of credit they were seeking. I've kept all of this in mind when thinking about whether Zopa did what was needed before lending to Mr M.*

*Did Zopa carry out reasonable and proportionate checks?*

*Before approving the application, Zopa:*

- Asked Mr M what his income was and verified this using data from the credit reference agencies.*
- Asked Mr M for his rent/mortgage commitments*
- Estimated Mr M's disposable income*
- Checked his credit file*
- Spoke to Mr M about the purpose of the loan*

*I'm inclined to say these checks were reasonable and proportionate in the circumstances. Mr M had declared the loan to be for consolidation purposes and he clearly told them during their phone call which debts he would consolidate. So, it was reasonable for them to think it would likely improve his situation overall. They weren't adding to Mr M's indebtedness but, rather, were providing him with an opportunity to improve his financial circumstances.*

*The regulations specifically allow a business to use credit reference agency data to verify an applicant's income and statistical data to estimate an applicant's expenditure. And I haven't seen anything in the information Zopa obtained which ought to have prompted them to do further checks. His existing debts were high, but he appeared to be managing them well. The fact that Mr M told Zopa that he was a homeowner with no mortgage commitments further supports that it was reasonable for Zopa to rely on estimated expenditure, as it's more likely Mr M's expenditure would be close to the statistical data.*

*Did Zopa make a fair lending decision?*

*Just because I think the checks were proportionate based on Mr M's circumstances, it doesn't end there. I need to consider whether Zopa made a fair decision to lend.*

*Zopa carried out a credit check which showed no adverse information. It confirmed that Mr M had around £24,000 unsecured debt, two hire purchase agreements with outstanding balances of around £26,000 and £76,000, and no active mortgage. He appeared to be managing these accounts well, with no missed payments, underpayments or arrears in the months leading up to the loan application.*

*Zopa calculated Mr M's monthly debt commitment to be around £1,640 however I can't see that this included Mr M's second hire purchase agreement which had a repayment of £875. So, the actual debt repayment figure should have been around £2,515 – which is a significant portion of Mr M's monthly income of around £3,600. But Mr M confirmed to Zopa during a phone call that he was going to use this loan to consolidate two credit cards which, I can see, had a combined balance of around £22,000. Zopa estimated Mr M's monthly repayments to these cards to be around £290 and £820 (5% of the outstanding balances). So, the loan would be reducing his expected payments for these two debts from £1,100 to £635. His total credit commitments would therefore be around £2,000 after taking out the new loan.*

*So Mr M would have an income of £3,600, credit commitments of £2,000 and no housing costs. This would have left him with £1,600 to cover all other living expenses which is significantly higher than the Office for National Statistics ('ONS') data suggests is necessary.*

*It also supports that, even though Mr M's monthly payments to existing creditors represented a large portion of his income, this wouldn't have appeared to cause him financial difficulties.*

*So, I'm inclined to say Zopa didn't act unfairly when they granted the loan to Mr M. They carried out reasonable and proportionate checks and the information they obtained suggested that the loan would be sustainably affordable.*

*In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr M might have been unfair to Mr M under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already given, I don't think Zopa lent irresponsibly to Mr M or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.*

*So overall and having considered everything, I'm currently minded to conclude that Zopa acted fairly and reasonably when agreeing to provide this loan to Mr M.*

Zopa responded to the provisional decision letting me know they agree with what was said.

Mr M also responded and raised several points:

- The fact that Zopa didn't include one of his hire purchase agreements in their calculations meant that the lending decision wasn't a fair or informed one.
- He remained heavily indebted even after consolidating his debts with this loan.
- The fact that his credit file didn't show any adverse information didn't mean that he wasn't struggling financially.
- Relying on estimated expenditure wasn't appropriate in his circumstances due to the scale of his indebtedness.

### **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've reached the same outcome as I did in my provisional decision, and for the same reasons.

I accept that Mr M had a high debt to income ratio. However, he appeared to be managing his existing accounts well and Zopa were not adding to Mr M's indebtedness by providing this consolidation loan. Whilst it's true that some consumers can maintain payments and still suffer financial strain, I'm not persuaded that the overall information obtained by Zopa suggested that Mr M was struggling financially.

Whilst Zopa omitted a significant credit commitment, I'm not persuaded that this meant the lending decision was unfair. Mr M was reducing his overall monthly debt commitment through this consolidation loan and, even when factoring in this additional debt commitment, was left with a comfortable disposable income to cover his living expenses. And I'm not persuaded that relying on statistical data wasn't appropriate here, especially since Mr M declared he had no housing costs.

I know how strongly Mr M feels about this matter, and I'm sorry to disappoint him here – especially since the investigator had previously upheld his complaint. But overall, I've not seen anything which changes my provisional decision. And so, it stands that I don't uphold Mr M's complaint against Zopa.

### **My final decision**

For the reasons I've outlined above, I'm not upholding Mr M's complaint about Zopa Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 February 2026.

Amelie Makris  
**Ombudsman**