

## The complaint

Miss E complains that Zopa Limited and Zopa Bank Limited (“Zopa”) provided credit to her irresponsibly and that this credit was unaffordable.

## What happened

In August 2021 Miss E received a loan from Zopa Limited (“loan one”). It was for £4,500; for a 48-month term; with a 16.2% APR; and monthly payments of £125.49. Total payable £6,023.34.

In May 2023 Miss E received a loan from Zopa Bank Limited (“loan two”). It was for £7,500; for a 48-month term; with a 9.22% APR; and monthly payments of £186.11. Total payable £8,933.32. The purpose of this loan was debt consolidation.

In January 2025 Miss E received a further loan from Zopa Bank Limited (“loan three”). It was for £8,000; for a 48-month term; with a 23.19% APR; and monthly payments of £247.89. Total payable £11,898.72. The purpose of this loan was again debt consolidation. She paid the balance owing on loan one from loan three.

In June 2025, Miss E complained to Zopa. She said that it was irresponsible of them to provide her with each of the loans because of her financial circumstances and that they were unaffordable for her.

Zopa looked into the complaint and issued a final response letter in July 2025. They thought in relation to each loan that they had carried out reasonable and proportionate checks into Miss E’s financial circumstances and weren’t satisfied that it was irresponsible of them to provide the loans. They noted that loans two and three were both expressed to be for debt consolidation whereby Miss E was expected to utilise them to reduce payments on her existing debt. They didn’t uphold the complaint.

Miss E didn’t accept Zopa’s response and therefore referred her complaint to our service. She said in particular that:

- Zopa didn’t obtain information about her actual repayment commitments;
- They assumed that she would consolidate her debts through loans two and three;
- Her borrowing had escalated over time, which was a clear sign of unaffordability; and
- She had a history of missed payments on her credit.

One of our Investigators looked into it. He felt in relation to loans one and two that the checks carried out by Zopa were reasonable and proportionate; and approving them was fair and responsible. He didn’t recommend that this part of the complaint be upheld.

So far as loan three was concerned, he felt that the checks carried out by Zopa were not reasonable and proportionate; and they did not make a fair decision to provide this loan.

Miss E didn’t dispute this position but Zopa did and asked for an Ombudsman’s decision. Regarding loan three, they remained of the view that they had carried out reasonable and proportionate checks before providing it; and they had made a fair lending decision. The

Investigator reviewed the points Zopa raised but did not change what he'd said about loan three.

As an agreement couldn't 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.

Our approach to complaints about the irresponsible and unaffordable provision of credit is set out in detail on our website. I've used this approach to help me decide Miss E's complaint. For example, I've considered the relevant rules and guidance on responsible lending set out in the Financial Conduct Authority's ("FCA") Consumer Credit Sourcebook ("CONC").

In summary, Zopa needed to carry out reasonable and proportionate checks before providing credit to Miss E to ensure they did not do so irresponsibly.

There is no set list of the checks Zopa had to do. What constitutes a proportionate affordability check will depend upon a number of factors including, but not limited to, the amount, type and cost of the credit Miss E was seeking as well as her overall financial circumstances. I've kept all of this in mind when thinking about whether Zopa did what they needed to do before providing credit to Miss E.

### **Loans one and two**

Miss E has accepted what the Investigator said in relation to loans one and two. I therefore do not need to consider this part of the complaint.

### **Loan three**

When Miss E applied for this loan, she declared that she was in full time employment with a gross annual income of £46,500 which Zopa verified through credit reference agency ("CRA") data. She said that she was a homeowner with a mortgage. Zopa assessed her net monthly income to be £3,083.

Zopa went on to assess her monthly expenditure based on statistical information from the Office for National Statistics ("ONS"), CRA data, information supplied by Miss E, and information they held internally. She declared monthly housing costs of £340. Their assessed expenditure comprised living costs of £725 and existing unsecured credit repayments of £1,842.35.

The applicable rules and guidance do not require a lender to see full evidence of expenditure in every case. Instead the lender has discretion about how they conduct checks to satisfy themselves that lending is affordable to applicants, provided the checks are reasonable and proportionate. This includes the consideration of statistical data where it is reasonable and proportionate to do so, as I think was the case here.

Zopa also examined Miss E's existing credit commitments. Her credit file showed existing unsecured credit balances totalling £31,235 exclusive of loan three. This compared to the equivalent figure of £25,020 at the time of loan two and notwithstanding the declared purpose of that loan. In addition, the file showed an HP commitment of £33,438 taken out after loan two with monthly repayments of £506 (included in the existing credit repayments figure of £1,842.35). Her total unsecured debt therefore exceeded £64,500. In addition Miss E had declared a mortgage.

Miss E's monthly payments on unsecured credit commitments over the same period from loan two to loan three had increased from £1,195.50 to £1,842.35. Her debt-to-income ratio had increased in turn to 67.17%. Zopa calculated Miss E's net monthly disposable income to be £984.

No missed payments, defaults, arrears or County Court Judgments ("CCJs") were shown by the credit search. There were no arrears on loans one and two.

However I think the combined impact of several factors known to Zopa prior to granting loan three was such that they should have made further enquiries of Miss E regarding her income. These factors were:

- the lack of verification of Miss E's declared income beyond CRA data despite the significant overall adverse changes in her financial circumstances;
- the much-increased amount of unsecured credit including the new HP debt notwithstanding the purpose of loan two;
- the level of her monthly payments for this debt having increased by over 50% since loan two; and
- the high rate of interest which Zopa calculated as being required for loan three when compared to the previous two loans.

Had Zopa done so, then I think they would have seen that her actual income for the three-month period prior to granting loan three averaged some £2,355 and not £3,083. Her monthly payments on existing unsecured credit commitments were £1,842.35. Her declared monthly housing costs were £340 and Zopa had assessed living costs of £725. This expenditure exceeded Miss E's actual income.

Overall, although Zopa's checks showed that Miss E's existing credit was being serviced without any recorded issues, it appeared that she had no disposable income to meet the cost of loan three.

Therefore, I think the checks carried out by Zopa before granting loan three were not reasonable and proportionate and Zopa did not treat Miss E fairly in their decision to provide her with this loan. However, I do not think Zopa had any obligation to establish what Miss E did with the proceeds of loan two as she has suggested they should have done.

In reaching my conclusions, I've also considered whether the relationship between Miss E and Zopa might have been unfair to Miss E under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, she has accepted what the Investigator said in relation to loans one and two and I'm upholding her complaint regarding loan three for the reasons I've explained. I therefore don't need to make a finding on this point.

### **Putting things right**

I don't think Zopa should have provided loan three to Miss E in January 2025. However I think it is fair for Miss E to repay any sum she still owes to them for this loan.

Zopa should therefore add up the total repayments Miss E made on loan three and deduct them from the total amount of money she received.

If this results in Miss E having paid more than she received, any overpayment should be refunded to her together with 8% simple interest calculated from the date the overpayment was made to the date of settlement. +

Alternatively, if any capital balance remains outstanding then Zopa should work with Miss E to agree an affordable and sustainable repayment plan.

Finally, once the loan three account balance has been cleared Zopa should remove all relevant adverse credit information from Miss E's credit file, if such information has been reported.

+ HM Revenue & Customs require Zopa to deduct tax from any award of interest. Zopa must give Miss E a certificate showing how much tax has been taken off if she requests one.

### **My final decision**

My final decision is that I uphold this complaint in relation to loan three.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 25 March 2026.

Richard Ellison  
**Ombudsman**