

The complaint

Miss O complains that Zopa Bank Limited trading as Zopa (Zopa) acted irresponsibly by agreeing to lend to her.

What happened

Around March 2024 Miss O entered into a Fixed Sum loan agreement with Zopa for £23,000, the purpose of the loan was for debt consolidation. After interest and charges were applied the total amount repayable was £27,723.97. This was repayable over 48 months with monthly repayments of £577.58. Around August 2025 Miss O entered into a second Fixed Sum loan agreement with Zopa for £14,000, the purpose of the loan was noted as 'other'. After interest and charges were applied the total amount repayable was £16,420.16. This was repayable over 48 months with monthly repayments of £342.09.

Miss O complained to Zopa saying they hadn't properly checked whether the loan(s) were affordable. And that the use of statistical data rather than confirming essential outgoings was unfair as it was evident she was already struggling to meet her commitments.

Zopa said their checks were reasonable and proportionate. And based on these checks they'd made a fair lending decision as Miss O should have had sufficient disposable income to sustain the repayments.

Miss O wasn't happy with Zopa's response and referred her complaint to us.

Our investigator said for the first loan Zopa's checks were reasonable and proportionate, and that they'd made a fair lending decision. But while they accepted Zopa's checks were reasonable and proportionate for the second loan, they didn't agree that Zopa had made a fair lending decision as Miss O didn't have sufficient disposable income to sustain the repayments. They asked Zopa to put things right.

Miss O didn't agree to our investigator's outcome for the first loan. And Zopa didn't agree with the outcome for the second loan. So, Miss O's complaint has been referred to an ombudsman 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. Whilst I've read and considered everything, if I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality.

Our general approach to complaints about unaffordable or irresponsible lending – including

the key rules, guidance and good industry practice – is set out on our website. And I've used this approach to help me decide Miss O's complaint.

The rules don't set out any specific checks which must be completed to assess creditworthiness. While it's for the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Miss O has said her mortgage fixed rate ended shortly after the loan was taken out increasing her mortgage repayments. And that her credit data would have shown she was financially vulnerable.

CONC says a lender must base their creditworthiness assessment on sufficient information of which they're aware at the time the assessment is carried out, obtained, where appropriate, from the consumer and where necessary from a CRA and the information must enable the lender to carry out a reasonable creditworthiness assessment.

A lender should take reasonable steps to estimate a consumer's income and non-discretionary spending. And that it's not generally sufficient to rely solely on a statement of current income made by the consumer without independent evidence such as from a CRA or third party. CONC does allow the use of statistical data for the purpose of estimating a consumer's non-discretionary expenditure.

I've considered the checks Zopa did and what these checks showed.

Loan One

Zopa said they used application, CRA and statistical data to assess Miss O's credit worthiness. Miss O declared she was a homeowner in full time employment. She said she'd an annual income of £41,418 and a mortgage repayment of £488 each month. Zopa said they cross checked this with a CRA, which showed Miss O had a monthly income of £2,652.17 and a mortgage repayment of £487 (£456 and £31). So, I'm satisfied Zopa's assessment of Miss O's income and mortgage repayments was reasonable. And I haven't seen any evidence that Zopa would have been aware of any upcoming changes in these amounts.

Zopa's credit check showed Miss O had two loans she'd taken out in 2023, that had outstanding balances totalling £20,160, repayable at £115 and £495 each month. And she'd two credit cards, one taken out again in 2023 with a credit limit of £10,600 of which Miss O had an outstanding balance of £6,343 and the other, taken out in 2020 with a credit limit of £6,100 that had an outstanding balance of £660. Zopa assessed that Miss O would need to repay £317.15 and £33 respectively each month. So, in total Miss O had credit commitments of around £960 each month. All of Miss O's active accounts were being well managed with no missed or late payments. There wasn't any evidence of arrears, defaults or county court judgments. She was using around 42% of her available credit card limits, and the CRA data showed Miss O wasn't using any of her arranged overdraft.

Zopa used statistical data supplied by the Office for National Statistics (ONS) to assess Miss O's other non-discretionary spending. These figures are based on the average expenditure for someone in Miss O's situation.

Miss O said the purpose of the loan was for debt consolidation, and from Zopa's checks she'd unsecured borrowing totalling £27,163. For debt consolidation I'd expect a lender to take reasonable steps to ensure the payments would be affordable for the consumer. And as

Miss O didn't have a history of applying for loans with Zopa for consolidation purposes and then returning for further funds after having failed to consolidate. I think Zopa was reasonably entitled to believe the funds would be used for the stated purpose. While the loan of £23,000 wasn't sufficient to fully settle Miss O's unsecured debt I can see that Miss O settled both her loan balances and credit card outstanding balances in the month she took out the Zopa loan.

In their assessment Zopa found after deducting Miss O's mortgage and new loan repayment from her income, she'd a disposable income of around £1,607. Their statistical data check showed Miss O's most likely outgoings would have been around £674, leaving Miss O with around £933 to cover any residual credit commitments, discretionary spending and unexpected costs.

So, I'm satisfied the checks Zopa did were reasonable and proportionate. And I don't think that there was anything immediately obvious in the information that they had which meant they shouldn't rely on it. Zopa may not have asked Miss O for further information about her other household bills and expenditure. But given the disposable income remaining once Miss O's mortgage payments and credit commitments (after debt consolidation) were deducted, I'm satisfied a detailed breakdown of Miss O's non-credit related expenditure wasn't necessary here. So, I don't think Zopa needed to have asked Miss O to provide further evidence in support of her expenditure before providing her with a loan in this instance. And I think they made a fair lending decision based on these checks as Miss O should have been able to sustain the repayments.

Loan Two

Miss O's second loan was for £14,000 repayable over 48 months at £342.09. Zopa has shown they did similar checks to those carried out for loan one which I think are reasonable and proportionate. They validated Miss O's declared income of £44,074, checked her credit history and assessed her other non-discretionary outgoings using statistical data.

Miss O said the purpose of the loan was "other" and Zopa has shown this would mean they'd deduct Miss O's housing, credit commitments, essential spending and new loan repayment from her income. I can see Zopa assessed Miss O's income as being £2799.91, her mortgage repayments £665, credit commitments £1,221.98, other essential spending £546.24 and after factoring in the new lending of £342.09, this should have left Miss O with around £25 to cover discretionary and unexpected costs which I don't think is sufficient to sustain the loan repayments.

Zopa said had Miss O used the funds to consolidate further debt, settling her credit card of around £5,000 and part of loan one, Miss O would have reduced her monthly credit commitments to around £637 which would have meant the loan was affordable as she'd have had sufficient disposable income to sustain her repayments. While this may have been the case Miss O in applying for the loan didn't say it was for debt consolidation, neither did Zopa seek details about any of the loans Miss O would look to consolidate.

The checks showed that Miss O's unsecured debt was now around £30,000, her payments with her existing credit commitments with other lenders were showing as up to date. So, on the surface, it could appear that Miss O could manage the credit she had in place. Zopa had a lending relationship with Miss O that showed she was meeting her repayments without any evidence of missed or late payments or arrears. And Miss O used loan one to consolidate the debt she'd had at that time.

But I can also see Miss O after settling her existing credit cards around March 2024 proceeded to take out another three credit cards in September 2024, January 2025 and

March 2025. The total available credit across all three cards was £20,750 of which Miss O was using £13,288. While I accept Miss O could have used the new loan funds to settle her credit card debts thereby reducing her monthly credit commitments by around half, I think her increasing reliance on credit was clearly evident.

We'd expect the checks to be "borrower" focused, meaning Zopa had to think about whether repaying the loan would cause significant adverse consequences for Miss O. It wasn't enough for Zopa to simply think about the likelihood of their getting their money back, they had to consider the impact of the loan repayments on Miss O. And I'm satisfied that the checks showed that Miss O hadn't sufficient income to sustain the repayments. And if she'd consolidated her debts, she wouldn't have been able to sustain the repayments over the period of the loan as she was becoming more and more indebted and would most likely have reached a point where she'd insufficient income. So, I don't think Zopa made a fair lending decision.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what Miss O has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Miss O in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

While I'm not upholding Miss O's complaint about loan one, I'd like to remind Zopa of their obligation to exercise forbearance if they intend to collect any outstanding balance remaining on the loan account, and it's the case that Miss O is experiencing financial difficulty.

Putting things right

When a business has done something wrong, I'd look for the business to put the complainant in the position they would be in now if the mistake they'd made hadn't happened, as far as is reasonably practical. But Miss O has had the second loan and used the money, so it's right that she should repay what she borrowed as she has had the benefit of those funds. But I don't think it's fair and reasonable that Zopa should apply any interest fees and/or charges incurred by Miss O because of the credit unfairly extended to her.

My final decision

I partially uphold this complaint. And ask Zopa Bank Ltd trading as Zopa to:

Add up the total repayments Miss O has made towards loan two and deduct these from the total amount of capital Miss O received from loan two.

a) If this results in Miss O having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). † Zopa should also remove all adverse information regarding loan two from Miss O's credit file.

b) If any capital balance remains outstanding, then Zopa should arrange an affordable and suitable payment plan with Miss O. Once Miss O has cleared the balance, any adverse information in relation to loan two should be removed from her credit file.

*His Majesty's Revenue & Customs requires Zopa Bank Ltd trading as Zopa to deduct tax from any award of interest. It must give Miss O a certificate showing how much tax has been taken off if she asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 24 March 2026.

Anne Scarr
Ombudsman