

Complaint

Miss J has complained about a personal loan Zopa Bank Limited (“Zopa Bank”) which she says was irresponsibly provided to her.

Background

Zopa Bank provided Miss J with a loan for £12,000.00 in March 2024. This loan had interest, fees and charges of £5,026.60 and a 48-month term. So the total amount payable of £17,026.87 was due to be repaid in 48 monthly instalments of £354.73.

One of our investigators reviewed what Miss J and Zopa Bank had told us. He thought that Zopa Bank hadn’t done anything wrong or treated Miss J unfairly when it provided this loan and so didn’t recommend that the complaint be upheld.

Miss J disagreed and asked for an ombudsman to review the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss J’s complaint.

Having carefully considered everything, I’m not upholding Miss J’s complaint. I’ll explain why in a little more detail.

Zopa Bank needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Zopa Bank needed to carry out proportionate checks to be able to understand whether Miss J could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Zopa Bank says it approved Miss J’s application after she provided details of her monthly income. Miss J’s declaration of income was cross-checked against information on the funds going into her main bank account each month. Zopa Bank also says it estimated Miss J’s expenditure using statistical data. Furthermore, the credit search it carried out showed

Miss J's existing commitments were relatively well maintained at the time. In Zopa Bank's view all of the information it gathered showed that Miss J could afford to make the repayments she was committing to.

On the other hand, Miss J has said she already had a lot of debt and so she couldn't afford this loan on her actual income.

I've carefully thought about what Miss J and Zopa Bank have said.

In the first instance I think that it is worth me saying that as Zopa Bank asked Miss J about her income and also carried out a credit check and other electronic checks on her income, it's clear that this wasn't a case of Zopa Bank failing to carry out any checks at all before lending. Indeed, it seems to me that Zopa Bank did obtain a reasonable amount of information before it decided to proceed with Miss J's application.

Having looked at the credit check, it's clear that Miss J had some existing unsecured debt. However, I also need to consider Miss J's existing debt in the context that the information from the time shows that Miss J's selected loan purpose was consolidation of her existing debts. I don't know whether Miss J did go on to consolidate some of her other debts with the proceeds of this loan. However, I don't see that this was something that Zopa Bank could know for sure in advance.

In my view, all it could do was take reasonable steps and rely on assurances from Miss J that this would be done. Equally, I don't think that Zopa Bank assumed that Miss J would consolidate, it relied on what Miss J said as part of her application. I think that Zopa Bank was entitled to rely on such a representation, particularly as prospective borrowers are expected to provide accurate information as part of any application. Equally, the amount lent was enough to consolidate a significant proportion of her revolving credit debt into this loan.

I accept that Miss J appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Zopa Bank obtained. I've seen what Miss J has said about her income. However, it is unclear why Miss J declared having an income of £45,000.00 if she earned significantly less than this.

Furthermore, Zopa Bank also cross-checked Miss J's declaration against the amount of funds that went into her main bank account each month, which suggested what had been declared was plausible. While I accept that Miss J now says this was inaccurate, given her declaration appeared plausible, I'm satisfied that Zopa Bank was reasonably entitled to rely on it.

For the sake of completeness, I would also add that even if I were to agree that Zopa Bank ought to have done more here, the absolute most I would have expected it to do was find out more about Miss J actual regular living costs, rather than rely on statistical estimates. And I've not seen any persuasive evidence that Zopa Bank doing this for Miss J's application would have shown it that this loan was unaffordable.

The information I've been provided with does not show me that Miss J's actual living costs made this loan unaffordable. This is especially as Zopa Bank was entitled to rely on Miss J's declared income. In these circumstances, I don't think that Zopa Bank finding out more about Miss J's regular living expenses would, in any event, have resulted in it determining that Miss J would be unable to make the monthly payment on this loan.

In my view, Zopa Bank finding out about Miss J's actual living costs would simply reinforced the notion that if she did go on to repay her existing debts with the proceeds from this loan

as her recorded loan purpose said she would, she would have been in a better financial position.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa Bank and Miss J might have been unfair to Miss J under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Zopa Bank irresponsibly lent to Miss J or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. I'm therefore not upholding Miss J's complaint.

As this is the case, while I sympathise with Miss J's situation and I'm sorry to hear that she's found making her repayments difficult, I don't think that Zopa Bank did anything wrong when providing this loan to her. It is arguable that it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. But even if Zopa Bank had asked Miss J for more information about her regular living costs and contractually committed expenditure here this wouldn't have made a difference to its decision to lend.

So overall and having considered everything, I'm satisfied that Zopa Bank didn't treat Miss J unfairly or unreasonably when lending to her. And I'm not upholding Miss J's complaint. I appreciate this is likely to be very disappointing for Miss J – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss J's complaint, I would remind Zopa Bank of its obligation to exercise forbearance and due consideration, given what Miss J has now said about her position, should she experience financial difficulty making her payments going forward, when collecting these payments from her.

My final decision

For the reasons I've explained, I'm not upholding Miss J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 13 April 2026.

Jeshen Narayanan
Ombudsman