

The complaint

Mr S complains that Zopa Bank Limited (Zopa) irresponsibly provided him with two loans.

What happened

Zopa provided Mr S with two loans as follows:

Date	Loan amount	Interest rate	Period	Monthly repayment
May 2023	£13,000 (Loan One)	26.6%	60 months	£372.87
October 2024	£10,000 (Loan Two)	13.1%	60 months	£224.47

In summary, Mr S considers that Zopa lent to him irresponsibly because he was suffering from a gambling addiction. His complaint was rejected by Zopa because it considered that its lending decisions had been appropriate.

Mr S remained unhappy and brought his complaint to this service. One of our investigators reviewed matters and considered that Zopa's lending had not been irresponsible.

Whilst Zopa agreed with our investigator's view, Mr S didn't. As an agreement has not been reached, the complaint has been passed to me to make a decision.

I intended to reach a different conclusion to our investigator, so I issued a provisional decision that said the following:

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

I've looked at all of the information on file, although I may not have commented on everything. Having done so, I've reached a different conclusion to our investigator. I'll explain my reasons why.

The rules and regulations in place at the time Mr S was provided with the loans, required Zopa to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. 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 loans sustainably would cause difficulties or adverse consequences for Mr S. In other words, it wasn't enough for Zopa to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr S.

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 (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this

in mind when thinking about whether Zopa did what it needed to do before arranging the loans for Mr S.

Loan One

When Mr S applied for this loan, Zopa carried out various checks to assess creditworthiness and affordability. Mr S had declared an annual income of £80,000 and, in order to verify that information, Zopa required Mr S to provide his bank statements and payslips. Mr S provided both. Zopa also carried out an affordability assessment, having regard to his existing debt commitments. It also used Office for National Statistics data to make various estimates of his likely living costs. Zopa concluded that these checks showed that the loan would be affordable for Mr S.

In normal circumstances, I would be inclined to conclude that Zopa's checks were reasonable and proportionate. However, at the time the loan was granted, Zopa was in possession of Mr S' bank statements. I appreciate that these were being provided to Zopa to enable it to verify Mr S' income. However, having requested them, the contents of those statements were nonetheless information in Zopa's possession.

Having looked at those statements, I can see that Mr S spent £12,700 on gambling sites in the three months prior to the loan being granted. In circumstances where this was information in Zopa's possession, I can't conclude that Zopa's decision to lend to Mr S was a responsible one. I don't think Zopa should have granted him the loan.

Loan Two

Mr S applied for Loan Two around 17 months later. Zopa carried out checks which were similar in nature to those described above. It didn't require Mr S to provide his bank statements on this occasion.

However, I believe that it ought to have been on notice that Mr S had a gambling addiction consequent of the information that it had obtained in relation to Loan One. A gambling addiction can be an enduring condition and only 17 months had passed since Loan One had been taken out. In these circumstances, I would have expected Zopa to carry out appropriate checks by asking to see all of Mr S' bank statements in the immediate period prior to Loan Two being granted. By doing this, Zopa could determine whether or not Mr S continued to spend in a harmful way.

I've looked at Mr S' bank statements. In the month prior to Loan Two being taken out, Mr S spent £5,000 on gambling. To put that into some context, Mr S' income that month was around £3,900. I think this is strong evidence that Mr S was still suffering from a gambling addiction. Consequently, I don't think that Zopa's decision to provide him with Loan Two was a responsible one. I don't think that Zopa should have granted him this loan either.

Having regard to all the circumstances, I'm currently minded to say that Zopa didn't make responsible lending decisions in providing Mr S with both Loan One and Loan Two.

In reaching my provisional decision, I've also considered whether the lending relationship between Zopa and Mr S might have been unfair to Mr S under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that what I'm proposing below results in fair compensation for Mr S given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award would be appropriate in this case.

Putting things right

In most cases where a loan has been provided where it shouldn't have been, it would be fair and reasonable for the lender to refund any interest and charges paid by the borrower. And, the borrower would usually be expected to repay any remaining amount of the money they had been lent. So, I'd expect Mr S to pay back the money he was lent, but not the interest.

With this in mind, I'm proposing that Zopa do the following to put things right for Mr S:

- *Add up the total repayments Mr S has made and deduct these from the total amount of the loans received by Mr S.*
- *If this results in Mr S having paid more than he 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 these loans from Mr S' credit file.*
- *If any capital balance remains outstanding, then Zopa should arrange an affordable and suitable repayment plan with Mr S. Once Mr S has cleared the balance, any adverse information in relation to these loans should be removed from his credit file.*

**HM Revenue & Customs requires Zopa to deduct tax from this interest. It should give Mr S a certificate showing how much tax it has deducted, if he asks for one."*

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.

Mr S accepted the provisional decision. Zopa responded and made further points about its decisions to lend.

As I mentioned in my provisional decision, the reason why I arrived at a different view to our investigator related to the existence of significant gambling transactions on Mr S' bank accounts, rather than the appropriateness of Zopa's checks about affordability. The bank statements were in Zopa's possession. I accept that some of these gambling transactions were credits to Mr S' bank account. However, I think that the scale of them was very strong evidence that Mr S was spending in a harmful way. And, regardless of whether they showed a net loss or a net gain within an individual month, I don't think it was a responsible decision to lend to Mr S.

In relation to Loan Two, Zopa points out that by the time this loan was taken out, it was evident that Loan One had been satisfactorily managed. Therefore, Loan One must have been affordable for Mr S. I understand why Zopa highlights this, but the issue I must focus on is the decision to lend, rather than what then happened afterwards. Of course, this works both ways from both parties' perspectives. However, in relation to Loan Two, I reiterate the overriding point that Zopa had possession of Mr S' bank statements which clearly showed significant harmful spending prior to Loan One being granted. That's why I think it ought to have done more checks prior to granting Loan Two. Those additional checks would have confirmed that Mr S continued to spend in a harmful way and that a further decision to lend to Mr S would not be a responsible one.

In summary, I see no reason to deviate from my provisional decision.

Putting things right

It would be fair and reasonable in the circumstances of this complaint for Zopa to do the following to put things right for Mr S:

- Add up the total repayments Mr S has made and deduct these from the total amount of the loans received by Mr S.
- If this results in Mr S having paid more than he 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 these loans from Mr S' credit file.
- If any capital balance remains outstanding, then Zopa should arrange an affordable and suitable repayment plan with Mr S. Once Mr S has cleared the balance, any adverse information in relation to these loans should be removed from his credit file.

*HM Revenue & Customs requires Zopa to deduct tax from this interest. It should give Mr S a certificate showing how much tax it has deducted, if he asks for one.

My final decision

My final decision is that I uphold this complaint. I direct Zopa to settle the complaint as I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 April 2026.

John Butler
Ombudsman