

Complaint

Miss J has complained about a loan Zopa Bank Limited (“Zopa Bank”) provided to her. She says that the loan was unaffordable given her circumstances and the amount of debt that she already had at the time.

Background

Zopa Bank provided Miss J with a loan for £10,000.00 in November 2021. This loan had interest, fees and charges of £4,901.09 and a 48-month term. So the total amount payable of £14,901.09 was due to be repaid in 48 monthly instalments of £310.44.

One of our investigators reviewed what Miss J and Zopa Bank had told us. She 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 which it cross-checked against information from credit reference agencies on the amount of funds going into her main bank account each month. It says it also carried out a

credit search which 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 significant debts and couldn't afford to take on any further borrowing.

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

As Zopa Bank asked Miss J about her income and expenditure and also carried out a credit check, it's clear 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 Miss J had some existing debts. But there wasn't anything in the credit checks to indicate that Miss J had any significant adverse information – such as defaults or county court judgments ("CCJ") – recorded against her.

Furthermore, the information from the time shows that Miss J's selected loan purpose was consolidation of her existing debts. I'm satisfied that the proceeds of this loan could and should have been used to clear the vast majority of Miss J's existing commitments, which she is now arguing meant that she shouldn't have been provided with this loan.

It's possible that Miss J went on to reestablish balances on some or all of the accounts she settled. However, as this was a first loan Zopa Bank was providing to Miss J, there wasn't a history of Miss J obtaining funds and then making an application to it for further funds while owing more than she did earlier. So, in my view, Zopa Bank was reasonably entitled to rely on assurances from Miss J that she would consolidate and it had no reason to believe that Miss J would reestablish balances on any cleared accounts.

There is an argument to say that bearing in mind the amount of the monthly payment, at the absolute most, Zopa Bank ought to have found out more about Miss J's actual regular living expenses, rather than relying on statistical data. However, I've not been provided with anything to indicate that Miss J's committed living expenses were significantly higher than any estimates that Zopa Bank relied on.

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 some of 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.

As this is the case, while I sympathise with Miss J's situation and I'm sorry to hear that she ended up entering into a Debt Management Plan after she 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. Equally, given the circumstances, I just wouldn't expect a lender to carry out the depth of analysis of Miss J's finances that she appears to be suggesting that it should have here either.

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 s140A 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 s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

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. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

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 5 May 2026.

Jeshen Narayanan
Ombudsman