

The complaint

Zopa Bank Limited (“Zopa”) provided Mr D with a loan for £2,000 in July 2025. This was to be paid back at £108 a month over 24 months. Mr D says the credit was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won’t repeat them again here. The facts aren’t in dispute, so I’ll focus on giving the reasons for my decision.

Our investigator upheld Mr D’s complaint and concluded that Zopa shouldn’t have lent to Mr D. Zopa accepted this outcome but Mr D didn’t as he felt the balance should also be written off so the case has been passed to me for review and decision.

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 come to the same conclusion as that of our investigator and for broadly the same reasons.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

Having considered everything, I’m upholding Mr D’s complaint. I’ll explain my reasoning below.

We’ve set out our general approach to complaints about unaffordable or irresponsible lending on our website and I’ve taken this into account in deciding Mr D’s case.

I’ve decided the credit wasn’t provided fairly because:

- I don’t think the checks Zopa did before providing the loan were reasonable and proportionate given the size of it and given what it knew about Mr D’s financial situation. I say this as after taking into consideration Mr D’s income and expenditure,

he was left with a disposable income of approximately £57 a month in which to cover unexpected financial expenses.

- If Zopa had done proportionate checks, I think it's likely these would have shown it was unfair to provide the loan to Mr D given the very small disposable income Mr D had left each month and he was likely to be unable to sustainably repay what he was being lent.
- I agree with our investigator and think that Zopa treated Mr D with forbearance and due consideration when it offered a repayment plan to Mr D before the Default Notice was issued. And it appears that once the default notice was issued, a payment plan couldn't be agreed to stop the default as Mr D wasn't in a position to meet his monthly repayments or pay off the outstanding arrears. So I don't think Zopa acted unfairly here.
- I appreciate that Mr D would like us to consider asking Zopa to write off the debt. But I don't think that would be fair on Zopa given that Mr D has had the benefit of the loan and this wouldn't be commensurate with our approach to irresponsible lending complaints. I appreciate that Mr D has provided personal testimony as to why he thinks the debt should be written off and the difficult circumstances he now finds himself in. I do hope Mr D's financial situation improves but as explained, I won't be asking Zopa to write off the debt owed.

This means I don't think Zopa should have provided the loan to Mr D.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr D in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I consider Zopa treated Mr D unfairly, it needs to take steps to rectify matters from the initial granting of the loan in July 2025.

The principle aim of any award I recommend must be to return Mr D to the position he'd now be in but for the irresponsible lending by Zopa. But that's not entirely possible here as the lending can't be undone.

Because I don't think Zopa should have lent to Mr D, I don't think it's fair for him to pay interest or charges on the amount borrowed. But he has had use of the money that was lent, so I think it's fair he repays the amount borrowed (without the addition of interest or charges).

To put things right, I believe Zopa should now take the following steps:

- Calculate the total of all Mr D's payments towards the loan, including all interest, fees, charges and insurances (not already refunded).
- If this exceeds the £2,000 borrowed, any excess above £2,000 should be paid to him with simple interest at 8% per year from the date of each overpayment to the date of settlement.*

*HM Revenue & Customs (HMRC) requires Zopa to deduct tax from any interest. It must provide Mr D with a certificate showing how much tax has been deducted if he asks for one. If Zopa intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

- Remove any adverse information recorded on Mr D's credit file relating to this loan, once any outstanding balance has been repaid.

If Zopa no longer owns the debt, it should liaise with whoever does to ensure any payments Mr D has made since moving the account are factored into the calculation of the compensation that's due or the balance that remains outstanding.

My final decision

My final decision is that I'm upholding this complaint and Zopa (UK) Plc must put things right as I've set out above.

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

Paul Hamber
Ombudsman