

The complaint

Mrs S has complained that Zopa Bank Limited (Zopa) unfairly provided her with a consolidation loan.

What happened

Mrs S entered into a finance agreement with Zopa for a loan to consolidate other debt. The details of the loan are shown below.

| Date | Amount of credit | Term | Monthly payment | Total repayable |
|--------------|------------------|-----------|-----------------|-----------------|
| October 2024 | £15,000 | 48 months | £384.77 | £18,469.08 |

In August 2025, Mrs S complained to Zopa about the lending. In the complaint, Mrs S said she didn't think Zopa had lent to her responsibly. She felt it had failed to account for the fact that she had a significant amount of other credit at the time and that this lending would substantially reduce the amount of disposable income she had a month. She says that had Zopa completed the appropriate checks it would have found the lending was unsuitable for her.

Zopa looked into Mrs S' complaint and issued a final response letter explaining it believed it had acted fairly when completing its checks. It said it had confirmed the agreement was affordable by gathering information from Mrs S, verifying her income, making a reasonable allowance for essential expenditure, and checking the information the credit reference agencies held. Zopa has said based on the information it found, it believes its decision to lend was fair.

Mrs S didn't accept Zopa's response, so she referred her complaint to our service. One of our investigators looked into it, and based on the evidence available, our investigator said whilst he didn't think Zopa's checks went far enough, after considering what proportionate checks would have revealed, he didn't think Zopa's decision to lend was unfair.

Mrs S didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me 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.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did Zopa carry out reasonable and proportionate checks to satisfy itself that Mrs S was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Zopa make a fair lending decision?

- Did Zopa act unfairly or unreasonably towards Mrs S in some other way?

Zopa had to carry out reasonable and proportionate checks to satisfy itself that Mrs S would be able to repay the credit sustainably. It needed to assess the likelihood of Mrs S being able to repay the credit, as well as considering the impact of the repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments, the cost of the credit and the customers circumstances.

Zopa says it asked Mrs S about her income. She declared an annual income of around £50,000. Zopa said it verified this successfully through the credit reference agencies. This is a reasonable way to verify income, but Zopa hasn't provided evidence of the verification to this service.

Zopa says it used Mrs S's credit file to understand her repayments to other debts and to get an understanding of her situation before it decided to lend. It's said it found no adverse data and didn't think it showed that Mrs S was struggling financially. I've reviewed this information and whilst Mrs S does have a reasonable amount of other credit, she was managing this well and there were no signs that she was struggling to maintain it.

Zopa also says Mrs S declared that she owned a property without a mortgage. So, it didn't account for rent or mortgage costs, but it applied estimates for her other regular living expenses using ONS data. This is an approach it's allowed to take under the relevant lending rules. And usually, I would be satisfied that this was a proportionate check. But in this case Zopa hasn't provided this service with a detailed copy of the figures it relied on. So, I can't be satisfied this was a fair way to understand Mrs S' other essential expenditure.

The regulations say that generally lenders should take reasonable steps to establish or make a reasonable estimate of a customer's non-discretionary expenditure. Given the issues with the income verification and the lack of evidence in relation to the ONS data used, I'm not persuaded the checks completed by Zopa were reasonable and proportionate.

Where we think a business hasn't completed the appropriate checks, we must reconstruct what those checks would likely have revealed if they had been completed. To do this we asked Mrs S to provide us with her main bank account statements for the months prior to the lending.

There are a number of ways Zopa could have checked Mrs S' income and expenditure, but for the avoidance of doubt, I'm not making a finding here that Zopa needed to see Mrs S' statements in order to complete its own income and expenditure assessment. Rather I think it needed to establish Mrs S' regular income and essential expenditure. That said in the absence of any other evidence, I think it's reasonable to rely on bank statements to establish what Zopa would likely have found had it completed the checks it says it did.

Mrs S was able to provide us with statements for one of her accounts for the months before the lending. Having considered these, I can see that her income was broadly in line with what she declared to Zopa. I can also see she received regular monthly contributions from her husband of around £1,000. When considering essential expenditure, I've taken into account Mrs S' essential living costs (such as utilities, insurance, and communications) and expenditure on other debt. Based on what I've seen, I think Mrs S would have had enough disposable income a month to afford the loan. So, I think reasonable checks would have shown Zopa that Mrs S would be able to sustainably afford the credit.

Mrs S has argued that had Zopa considered her statements it would have seen she would be left with a disposable income that was unreasonably low. I think it would be helpful to reiterate here, that I don't think Zopa needed to review Mrs S statements before lending. However, based on what I've seen, even if Zopa had reviewed Mrs S statements I think it would have reasonably concluded that she had enough disposable income to afford the loan.

I think it's also worth taking into consideration that this loan was taken to consolidate other debt, which could have reduced Mrs S's monthly outgoings or improved her overall disposable income. Looking at Mrs S' statements it appears the loan was used for its intended purpose. So, Mrs S did receive the benefit of being able to consolidate some of her debts.

Overall, I think Zopa needed to provide clearer evidence of the checks it completed to show they were proportionate. But based on the information now available, I'm not satisfied the decision to approve the lending was unreasonable.

I can see that Mrs S maintained the agreement well and completed payments without issue to the date of the complaint. I haven't seen any evidence that Mrs S contacted Zopa at any time to let it know she was struggling to repay the debt or needed assistance. So, I haven't seen anything to suggest Zopa treated Mrs S unfairly up to the date of the complaint either.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. But overall, it's not clear enough to me that Zopa created unfairness in its relationship with Mrs S by lending to her irresponsibly, or in the way it handled the account under the credit agreement. And I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm very sorry to disappoint Mrs S, but for the reasons set out, I don't find that Mrs S' relationship with Zopa was unfair, and I can't conclude Zopa treated her unfairly in any other way based on what I've seen.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 30 April 2026.

Charlotte Roberts
Ombudsman