

The complaint

Miss G complains that Zopa Bank Limited (Zopa) lent to her irresponsibly by failing to make appropriate affordability checks before offering her a credit card.

What happened

Miss G applied for and was granted the following credit card from Zopa:

Date	Event	Credit Limit
October 2023	Account Opening	£1,000

In summary, Miss G says Zopa failed to make proper checks before lending to her resulting in a credit card being offered that she couldn't afford to repay. Miss G says had Zopa checked her current account they would have seen she was borrowing to fund gambling and that she had taken out a number of additional loans just before she applied for this card.

Miss G complained to Zopa in November 2025 who investigated her concerns but didn't uphold her complaint. In their Final Response Letter of December 2025, Zopa said they had carried out a credit worthiness assessment before their lending decision. This included reference to Miss G's application, her credit file and Office of National Statistics (ONS) modelling data. Zopa said they had reviewed the lending decision and believed it remained both appropriate and affordable. Miss G disagreed and brought the matter to this service in December 2025.

An investigation considered the available evidence and merits of the case. In her view, she said that the checks performed by Zopa had been insufficient given the content of the credit file. She said after consulting Miss G's current account statements, it was clear that Miss G had negative disposable income and as such further lending should not have been offered and the lending had been unfair.

Miss G accepted the view, though Zopa disagreed with its outcome. Zopa questioned the proportionality of referencing detailed current account records for lending of this size. Having been provided with copies of the statements relied on by the investigator they noted the content but repeated these would not have been available at the time of the lending decision so their position remained unchanged.

Having considered the evidence, I reached the same conclusion as the investigator but via a different route, so issued a provisional decision. An extract follows and forms part of this final decision. As both parties have now replied to the provisional decision, this allows me to issue a Final 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.

Extract from my Provisional Decision

I would like to thank Miss G for the frank disclosures of gambling issues complicating her finances around the time of this application. Understanding this context has been helpful when considering the case in the round.

When Miss G applied for the credit card, she declared that she was employed full time with an annual gross income of £50,000. She indicated that she was renting accommodation but declared a zero rent/housing outgoing.

Zopa took these figures and referenced Miss G's credit file. Income was not verified exactly but confirmation was obtained that it met a threshold figure for Zopa's calculation of affordable lending. In their letter to the investigator dated 18th March 2026, Zopa indicated the application had been automatically approved, suggesting no or limited human intervention.

In cases of low credit limits this is not uncommon. But I must consider whether those checks were sufficiently lender centric (considering Miss G's wider financial situation) and whether the checks performed were proportionate given what the credit file showed. The credit file used by Zopa showed no County Court Judgments or active/historic defaults. It showed active external debt of around £18,505 made up of £14,751 in revolving credit card debt, and a further loan balance of £1,470.

Five credit cards were shown. Two of these were over their limit and two were within a small amount of hitting their limits. In addition, Miss G was over £1,800 into her £2,000 overdraft at the time of application.

In her view, the investigator concluded insufficient checks had been performed as there were sufficient potential indicators of financial stress to merit further investigation.

I don't think the situation was so obviously poor that further lending couldn't be considered, but I think Zopa needed to know more. I would have expected the zero rental outgoings to have been checked. Given the high utilisation and over limit spending, I would also have expected further information to have been sought to validate Miss G actual outgoings. I am minded to say that I agree with the investigator that the checks performed were not reasonable or proportionate for the lending, even for such a low credit limit.

In their response to the investigator's view, Zopa say even if this point was accepted (which it wasn't), it doesn't follow that current account records are proportionate as a next step. Here I agree with Zopa. I don't think it would have been proportionate to call for current account statements for lending of £1,000. However, a simple check with Miss G re her current outgoings, lending commitments and verification of income could have been achieved without this.

Having said that I'm minded to say checks were not reasonable or proportionate, I must next consider what reasonable checks would have shown had they been carried out. For this, I will refer to Miss G's current account records as they provide the best evidence available to me from the time. But I will only use them to the extent necessary to gain a picture of Miss G's outgoings and not to conduct a forensic examination of each transaction. Having reviewed the current account statements for the three months leading up to the lending I can see Miss G had an average monthly income of £3,272. Her existing debt commitments totalled £2,250 per month before additional lending.

In addition, thought too soon to appear on the credit file, had enquiries about current lending been made this would have revealed a further payday loan in August 2023 and another loan of £5,000 just one month before the application. Miss G's outgoings would see her monthly

debt commitments rise further as these started to be repaid. This would further reduce disposable income before any allowance for housing, food, clothing etc.

At this point I think there are sufficient warning signs in the borrowing behaviour to indicate that further lending would not be appropriate. In particular, it is hard to avoid the conclusion that Miss G is potentially struggling with existing commitments while seeking further lines of increasing credit. I am persuaded that this indicates a growing dependence on credit.

Alternatively, this information may then have prompted Zopa to ask for current accounts at which point significant gambling outgoings would in my view have likely led to the same conclusion.

I am minded to say that the lending decision was not fair and the lending should not have been made.

Miss G accepted my provisional decision, but Zopa didn't. In their response, I am asked to re-consider two points, the first being the necessity for any checks beyond the application form and credit file. I am also asked to reconsider whether reliance of bank account material including gambling not available to Zopa at the time of the lending was appropriate when reaching my provisional decision.

I would like to thank Zopa for their focused response. I have considered the points raised and will address them below. However, on this occasion for this case they do not change my decision. I will briefly explain why I have reached this conclusion.

Appropriate checks: Was anything more than the application and credit report necessary?

In their response, Zopa stress that their "lending decision was made using the information declared by the customer together with the CRA data available to" {them}.

Zopa say "We do not agree that the CRA data, without more, required Zopa to carry out enhanced checks or obtain bank statements before lending." Having considered this afresh and revisiting the credit file, I cannot agree in this case.

I recognise the low credit limit in this case. I also accept that proportionate checks at this level of credit may be lighter touch and less intrusive than for higher levels of borrowing. However, the need to make reasonable and appropriate checks exists at all levels of borrowing.

It remains my view that even for this amount of lending some further enquiries should have been made of Miss G. In my provisional decision I have already said this need not have included a full examination of current account records. My provisional decision was issued because I agreed with Zopa on this point and I then limited my assessment to the information Zopa did have rather than a forensic examination of current accounts. However, I think further clarification of Miss G's expenditure was needed and could have been obtained by phone, email or means short of current account examination. I will explain why.

On her application form Miss G says she was renting her accommodation. However, she declared rent of £0. Given rent/mortgage is typically a significant expenditure item, I would have expected this discrepancy to have been checked, particularly as it relates directly to any disposable income.

Turning to the credit file, Zopa correctly point out that this contained no CCJs, Individual Voluntary Arrangements or bankruptcies. Zopa say "the credit file provided does not

obviously show serious delinquency markers on its face.” It is certainly true to say there are no defaults or missed payments shown, but I need to consider more than delinquency.

I think what was available to Zopa could indicate existing financial stress. I say this because of the credit cards held by Miss G two were over their limit and one was within £10 of its limit. Additionally, Miss G was using over £1800 of her arranged £2,000 overdraft. Given this possibility and the discrepancy over Miss G’s rent, I think further information was needed before lending. For this reason, I think the checks performed were inappropriate for the lending.

Has too much reliance been given to bank accounts and gambling materials which Zopa wouldn’t have seen at the time of lending.

I have considered this carefully. I agree with Zopa’s position that I must only rely on what Zopa knew at the time of lending or would have found out had reasonable checks been performed.

I have already said I still think checks made were insufficient given what Zopa had been told and what the credit file showed. I have also said further clarity over expenditure need not have called for current account records but should have confirmed rent, and existing expenditure.

In trying to recreate the answers to those questions, I did rely on Miss G’s current account records from the time, as these are my best evidence. However, I did not perform a forensic examination of each transaction.

I did identify lenders, existing credit outgoings and regular expenditure commitments. This also identified additional lending including a recent payday loan slightly before the application and a larger £5000 loan. I think this would have been available to Zopa had enquiries been made. This would have revealed increasing reliance on credit, a cycle of recent borrowing and a disposable income such that sustainable repayments would likely not be made.

I had not included gambling transactions in my provisional decision as these would not have been visible to Zopa at the time of lending. However, I had to consider the unlikely event that Zopa might have requested current account records, as indeed they did when investigating this complaint. Had they taken that option, I am persuaded that lending would likely have been refused due to the level of gambling at the time.

For these reasons, I don’t believe current account records used to recreate spending patterns as part of recreating proportionate checks has given them undue weight. Given what I have said, I remain of the view that the lending decision wasn’t fair and should not have been made.

Putting things right

As I don’t think Zopa ought to have opened the account, I don’t think it’s fair for it to be able to charge any interest or charges under the credit agreement. But I think Miss G should pay back the amounts she has borrowed. Therefore, Zopa should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Miss G along with 8% simple interest per year* calculated from the date of each overpayment to the date of

settlement. Zopa should also remove all adverse information regarding this account from Miss G's credit file.

- Or, if after the rework there is still an outstanding balance, Zopa should arrange an affordable repayment plan with Miss G for the remaining amount. Once Miss G has cleared the balance, any adverse information in relation to the account should be removed from the credit file.

*HM Revenue & Customs requires Zopa to deduct tax from any award of interest. It must give Miss G a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

In reaching my conclusions, I've also considered whether the lending relationship between Miss G and Zopa might have been unfair to Miss G under s140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I minded to direct Zopa to do in the section above results in fair compensation for Miss G given the overall circumstances of her complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

My final decision

My final decision is that I uphold Miss G's complaint against Zopa Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 29 April 2026.

Richard Bellamy
Ombudsman