

## The complaint

Mr M complains that Zopa Bank Limited (“Zopa”) unfairly entered into a credit agreement with him. He says that the credit card was unaffordable for him, and therefore he shouldn’t have been lent to.

## What happened

In May 2022, Zopa provided Mr M with a credit card with a total limit of £2,000. £1,500 of this was reserved for a balance transfer, which offered a promotional 0% interest rate for six months. The remaining £500 was what Zopa refer to as a ‘credit builder’ account.

Mr M complained to Zopa in June 2023. He said he was recently diagnosed with adult ADHD which impacts his ability to manage his finances properly, and by lending to him, they worsened his situation. He said he’s trying to make progress post-diagnosis but is struggling to repay both this debt and other debts.

Mr M also says the lending was irresponsible because Zopa increased his limit very quickly and haven’t offered him any financial support despite him missing payments.

Zopa reviewed the complaint and said based on the information they received at the point of application and the data they got from Credit Reference Agencies (CRAs), they were confident they’d lent responsibly. Mr M remained unhappy and brought the complaint to this service.

Mr M’s complaint was then considered by one of our investigators. In summary, she thought that proportionate checks weren’t carried out considering the amount being lent and Mr M’s annual salary. And she felt that had Zopa done proportionate checks, they would’ve seen the lending was unsustainable for him as he had little disposable income each month. She recommended a refund of all interest and charges applied to the account.

Mr M didn’t dispute the investigator’s findings, but Zopa did. In summary, they said they make two separate decisions with the balance transfer and purchase part of the card – and once the balance transfer is repaid, it can’t then be used for spending. They said that limiting this part of the credit facility can support customers to manage their debt.

As an agreement couldn’t be reached, the case was passed to me to decide.

Because I intended to come to a different outcome to the Investigator, I wanted to give both parties the chance to respond with anything else they wanted me to consider before I came to my final decision on the matter. I issued a provisional decision where I said the following:

*“As I understand it, the crux of Mr M’s complaint is that he’s been irresponsibly lent to, so that’s what I’ve considered.*

*We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve thought about this approach to help me decide Mr M’s complaint.*

*Having thought about everything I've been provided with I'm not intending to uphold Mr M's complaint. I'll explain why.*

*The starting point for all irresponsible lending complaints is whether Zopa did enough to establish that Mr M could make the payments on this credit card account and what such checks would have shown. However, in the circumstances of this particular case, I'm satisfied that I don't need to get too concerned with the checks carried out at the time Zopa agreed to lend to Mr M.*

*I say this because even if I were to agree that Zopa did do something wrong and lent to Mr M irresponsibly, I'd be directing it to compensate Mr M for any financial loss he suffered as a result. And having considered everything, I'm currently minded to conclude that Mr M did not suffer a financial loss as a result of entering into this credit agreement.*

*I say this because the annual statement for the account shows that Mr M only incurred £2.31 of interest on the £1,500 balance transfer for the period between May 2022 and May 2023. This means he was able to pay off the amount he transferred mostly within the promotional, interest-free period.*

*He also incurred around £80 in interest on the £500 'spending' part of the credit card, and £24 in missed payment fees. Mr M was making significant overpayments to the card and by July 2023, he had paid off the credit card in full.*

*While I don't have the details of the interest rates for the card Mr M transferred the balance from, I'm satisfied that over the course of 12 months, for a £1,500 balance, it's very likely he would've paid more than the £2.31 he was charged by Zopa. Even if I included the missed payment fees of £24, and the total interest incurred of close to £80, I'm satisfied that Mr M has benefitted from the balance transfer arrangement with Zopa. I say this because Mr M did pay interest, although I think this will have been exceeded by the interest he saved from transferring a £1,500 balance. So, I don't think he lost out as a result of having this card.*

*Overall and having carefully considered everything, I'm currently minded to conclude that Mr M didn't suffer a financial loss and therefore, I'm not intending to uphold this complaint. I appreciate that this is likely to be disappointing for Mr M as the investigator recommended that his complaint should be upheld. But I hope he'll at least understand the reasons for my likely final decision."*

Zopa responded to the provisional decision to say they have nothing further to add. Mr M didn't respond to the provisional decision, or the service's subsequent email to him, by the deadline. So, I've assumed there isn't anything else he wants me to consider.

### **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.

Given that both parties haven't provided any new information to this service, I see no reason to depart from the findings I reached in my provisional decision.

It follows that I'm not upholding Mr M's complaint, because I don't think he suffered a financial loss by having the Zopa credit card. The interest accrued on the credit card for the short period he had it was very likely to be less than he would've incurred had he kept the balance elsewhere, even with the £500 spending limit Zopa provided him with.

**My final decision**

I'm not upholding this complaint, as I don't think Zopa Bank Limited lent to Mr M irresponsibly or unfairly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 May 2024.

Meg Raymond  
**Ombudsman**