

Complaint

Mr T has complained about a credit card Zopa Bank Limited (“Zopa”) provided to him.

He says that he shouldn’t have been given the credit card as he already had a lot of debt as and a poor credit score.

Background

Zopa provided Mr T with a credit card with a credit limit of £200 in May 2021. Mr T wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr T and Zopa had told us. And she thought Zopa hadn’t done anything wrong or treated Mr T unfairly in relation to providing the credit card.

So she didn’t recommend that Mr T’s complaint be upheld. Mr T disagreed and asked for an ombudsman to look at 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.

Having carefully considered everything, I’ve decided not to uphold Mr T’s complaint. I’ll explain why in a little more detail.

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 Mr T’s complaint.

Zopa needed to make sure it didn’t lend irresponsibly. In practice, what this means is Zopa needed to carry out proportionate checks to be able to understand whether Mr T could afford to repay any credit it provided.

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 lend to a customer irresponsibly.

Zopa says it agreed to Mr T’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr T would be able to make the low monthly repayment due on this credit card.

On the other hand Mr T says that he shouldn’t have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr T was provided with a revolving credit facility rather than a loan. And this means that Zopa was required to understand whether a credit limit of £200 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £200 required low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Zopa obtained from Mr T and what was on the credit search carried out. The credit search show that Mr T did have some existing credit and I know that Mr T has referred to this. But I have to weigh this against the fact that Mr T was only being lent a maximum of £200 which he'd only have to make low monthly payments to. And I don't think that Mr T's existing debts meant that he shouldn't have been provided with this credit card.

I accept that Mr T says that his actual circumstances at the time were worse than what the information Zopa obtained showed. And Mr T's suggestion is that if Zopa had done more it would have seen this. However, I don't think that there wasn't anything immediately obvious in the information that Zopa had, including Mr T's existing credit, which meant it should've asked Mr T to provide supporting evidence, such as bank statements, before providing him with a credit card, with such a credit limit, in this instance.

Overall and having considered everything, while I can understand Mr T's sentiments and I'm sorry to hear about his situation, I don't think that Zopa treated Mr T unfairly or unreasonably. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable.

For the sake of completeness, I would add that having reviewed Mr T's completed complaint form there is a suggestion that Zopa may have written off the balance which remained on Mr T's credit card. However, it appears that Mr T's complaint is more concerned with removing any adverse information that Zopa may have recorded against him removed from his credit file, rather than a refund of any interest and charges he may have paid.

To be clear, I don't think that Zopa lent to Mr T irresponsibly. But even if I had agreed that it had done so, I wouldn't have directed an amendment of Mr T's credit file. I've thought about what Mr T has said and I do sympathise with what he's told us. I also fully appreciate why he's unhappy with adverse information being recorded on his credit file and that he's worried about the impact this will have.

But I have to take account of the fact that a balance was written off. Asking Zopa to remove all adverse information here will effectively see it needing to record that this balance was not only not written off but also that Mr T repaid this in full and on time. This would see Zopa recording information that doesn't reflect what happened and which is wholly inaccurate.

In my view, recording such information would not only be inaccurate but it would also arguably be counterproductive and not in Mr T's interests or that of any future lender. I say this particularly given the reasons this balance may have been written off and because a future lender would quite reasonably conclude that this balance was repaid in full and on time, rather than written off, when making any decision on whether to provide additional credit to Mr T. So I'm satisfied it is fair and reasonable for any adverse information to be recorded about Mr T's credit card to remain for the usual period such information is recorded.

For all of these reasons, I don't think Zopa lent irresponsibly to Mr T or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr T. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 2 August 2024.

Jeshen Narayanan
Ombudsman