

## The complaint

Ms H complains that Zopa Bank Limited lent irresponsibly when it approved a loan application she made.

## What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

*In May 2022 Ms H applied for a debt consolidation loan with Zopa. In her application, Ms H said she was employed with an income of £60,000. Zopa used a net monthly income of £3,604. Ms H also said she was renting at £1,125 a month. Zopa carried out a credit search and found Ms H owed around £30,100 in unsecured debt with monthly repayments totalling around £1,506. Zopa applied an estimate of Ms H's living costs of £620 and assessed the loan application. Zopa agreed to lend Ms H £7,500 over 60 months with a repayment of £322.62.*

*Ms H has maintained monthly payments to the loan. Earlier this year, Ms H complained that Zopa lent irresponsibly when it approved her loan application. Zopa issued a final response on 22 April 2024 but didn't uphold Ms H's complaint. Zopa said it had carried out the relevant checks before approving Ms H's application.*

*An investigator at this service looked at Ms H's complaint. They weren't persuaded that Zopa had lent irresponsibly and didn't ask it to take any further action. Ms H asked to appeal and said Zopa had failed to ensure the repayments were affordable without causing financial harm. Ms H also said the investigator had failed to take into account her overdraft costs each month when reaching their decision. As Ms H asked to appeal, her complaint has been passed to me to make a decision.*

## What I've provisionally 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.*

*Before agreeing to lend, the rules say Zopa had to complete reasonable and proportionate checks to ensure Ms H could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:*

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

*That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may*

choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

*I've looked at Zopa's lending assessment but haven't been persuaded the level and nature of checks it carried out were reasonable or proportionate. I'll explain why.*

*Ms H's monthly income was noted as £3,604 and her rent was recorded as £1,125. Ms H's existing repayments were found to be £1,506 and Zopa used an estimate for livings expenses of £620. Taking all of those details together, that means Ms H had around £353 remaining as disposable income after her existing commitments were met. Ms H's response to the investigator also confirmed she had an overdraft of £2,000 with monthly fees that doesn't appear to have been included in Zopa's assessment. But I've seen the data Zopa obtained from Ms H's credit file and can confirm it did include an overdraft of £1,939 with a monthly cost of £96.95 which appears accurate.*

*Ms H's disposable income figure would've been around £353 based on the data Zopa used. But the new loan payment Ms H needed to pay was £322.62 which would've left her with only £30.38 remaining. With that said, I think it's fair to say the intention of the loan was for debt consolidation. My view is that Zopa needed to get a better understanding of how the new loan would impact Ms H's circumstances and outgoings before deciding whether to proceed. One option would've been for Zopa to have asked Ms H to supply her bank statements for the preceding months. Ms H has recently sent us those bank statements.*

*The statements provided don't show transactions for items like rent, utilities, council tax or mobile phone payments. What they do show is that Ms H was transferring funds to another account that appears to be in her name. In all the statements I've seen there's regular transfers between Ms H's accounts. What I can see is that Ms H was using her bank account to make payments to various creditors. Those payments vary in the months before Ms H's application to Zopa.*

*So I could get a better understanding of what Ms H did with the funds she borrowed from Zopa I recently asked her how they were used. Ms H responded and confirmed she made a payment of £1,204.17 to one credit card and another of £5,180.62 to another on 6 May 2022. I can see Ms H also transferred £800 to another bank account on the same day.*

*I've looked back at Ms H's bank statements for the three months before her application was made to Zopa to get an idea of the monthly payments she was making towards the two credit cards she consolidated. Between February and April 2022, Ms H made payments that averaged £567 a month across both credit cards. Ms H's new payment with Zopa was £322.62. And by refinancing the credit card debts to a loan, Ms H was making regular payments for a fixed term that meant the balance would be repaid at a specific end date. In my view, the consolidation of Ms H's credit card debt didn't negatively impact Ms H's circumstances and appears to have reduced her outgoings.*

*I also think it's fair to say that whilst Ms H's current account was overdrawn, I didn't see any evidence of returned direct debits or other signs she was struggling financially. And, as noted above, I'm satisfied Zopa took the cost of servicing Ms H's overdraft as well as her normal living expenses into account during her application. Overall, I'm satisfied that if Zopa had reviewed Ms H's bank statements it's more likely than not that it would've still approved her loan application in May 2022.*

*I'm very sorry to disappoint Ms H but I haven't been persuaded that Zopa lent irresponsibly. I've taken the step of issuing a provisional decision as whilst I've reached the same overall decision as the investigator to not uphold Ms H's complaint, I've done so for different reasons. As a result, I need to give both parties a chance to respond with any further comments or information they want me to consider before I make my final decision.*

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Zopa confirmed it had nothing further to add. We didn't hear back from Ms H.

### **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.

As neither party has given me any new information to consider I see no reason to change the conclusions I reached in my provisional decision. I remain of the view that Zopa's decision to approve Ms H's loan application was reasonable, for the same reasons.

### **My final decision**

My decision is that I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 11 September 2024.

Marco Manente  
**Ombudsman**