

## **The complaint**

Mr H complains that Zopa Bank Limited was irresponsible in its lending to him.

## **What happened**

Mr H was provided with a £15,000 loan by Zopa in March 2023. He was then provided with a credit card with a large limit in July 2023. He said that his credit file would have shown him applying for two large amounts of credit within four months and that adequate credit checks would have shown he had accounts with payday lenders as well as other credit providers and that he had a history of defaults. He said proportionate checks would have shown he was struggling financially and that it wasn't responsible to provide him with more credit.

Zopa issued a final response to Mr H in April 2024. It said that before approving the loan it considered several factors including Mr H's credit profile, credit history and affordability. It didn't agree that the loan was provided irresponsibly.

Mr H wasn't satisfied with Zopa's response and referred his complaint to this service.

Our investigator said that information was gathered about Mr H's income and his other debts before the loan was provided. He noted that Mr H had said the loan was for debt consolidation but based on the amount of debt Mr H had at the time and the size of the loan he thought further checks should have taken place. However, he found that had further checks taken place these would have shown the loan to have been affordable. Therefore, he didn't uphold this complaint.

Mr H didn't agree with our investigator's view. He said that in the months leading up to his loan application his bank statements showed he was gambling. He said this should have raised concerns about lending to him and his comment that the loan would be for debt consolidation. He said he had taken out a £8,000 loan in the summer of 2022, a £20,000 loan in December 2022 and a short-term £500 loan in early March which he said should have raised concerns. He also reiterated that he has previously defaulted on accounts.

## **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.

This decision is about the £15,000 loan provided to Mr H in March 2023 by Zopa. Before the loan was provided, Zopa gathered information about Mr H's employment and income and his residential status. Mr H said he was employed full time with an annual income of £48,000. He said he was a homeowner and declared monthly mortgage payment of £400. This amount was checked against Mr H's credit file and monthly mortgage payments of £858 were identified. A credit check was carried out which identified Mr H as having around £30,000 of unsecured debt which included a loan for £20,000 that was taken out in December 2022. He also had outstanding balances on credit cards and another revolving credit account.

Mr H's credit check results didn't record recent arrears or defaults, but it did show that Mr H had been making use of payday and other short-term loans. I have noted that Mr H said the loan was for debt consolidation and I have taken this into account. But as his credit history showed use of payday and other short-term loans and noting his total amount of debt outstanding at the time, I think it would have been proportionate for Zopa to have carried out further checks, such as verifying Mr H's income and gathering further information about his expenses.

While Zopa wasn't required to request copies of Mr H's bank statements, I have used the information his bank statements contain to understand what Zopa would have most likely identified had it carried out an income verification and asked for more details about Mr H's expenses.

Mr H's bank statements show that his net monthly income in the months leading up to the loan application was lower than Zopa had recorded at around £2,610. Mr H was making payments towards his existing credit commitments and media and insurances contracts. These totalled around £950 a month. Mr H has explained that his wife paid the mortgage and other household bills and that he made a monthly contribution towards these. His bank statements show him making monthly contributions of around £1,000 in the months leading up to the loan. Taking this into account, Mr H's monthly expenses before the Zopa loan totalled around £1,950 against his monthly income of around £2,610. The Zopa loan repayments were around £457. This is less than Mr H's disposable income but would leave limited funds available for other living costs. However, the loan was said to be for debt consolidation and so it is reasonable to accept that Mr H's pre-existing credit commitments would be reduced by the loan. Taking this into account, I do not find it unreasonable that Zopa would consider the loan to be affordable. While I note Mr H's comment about his reliance on debt and whether he would use the loan to consolidate his other loans, I find it reasonable that Zopa took this information into consideration and based on his bank statements it did appear that he used funds for this purpose.

Mr H has also said that further checks would have identified that his was gambling. I can see from his bank statements that he was making frequent payments which Mr H has explained gambling transactions. However, in this case, I do not find that I can say that Zopa was required to request Mr H's bank statements and I find that had it asked about Mr H's expenses he was likely to have provided the information stated above which would have suggested the loan to be affordable. As I have nothing to show that Mr H declared his gambling and, on balance, I do not find that further checks would have identified this, I do not find this changes my decision that the loan appeared affordable.

I've also considered whether Zopa acted unfairly or unreasonably in some other way given what has been complained about, including whether its relationship with Mr H might have been unfair under s.140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Zopa lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Based on the above, I do not find that I can say that Zopa was wrong to provide Mr H with the loan and so I do not uphold this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or

reject my decision before 30 September 2024.

Jane Archer  
**Ombudsman**