

## Complaint

Mr V has complained that Zopa Bank Limited (“Zopa”) irresponsibly provided him with a credit card, which it ought to have realised was unaffordable for him.

## Background

In November 2021, Zopa provided Mr V with a credit card which had a limit of £400. Mr V’s credit limit was never increased.

Zopa didn’t think that it had done anything wrong when providing Mr V with his credit card. So it didn’t uphold the complaint. Mr V was dissatisfied with Zopa’s response and referred his complaint to our service.

One of our investigators looked at everything provided and she thought that Zopa had hadn’t done anything wrong or treated Mr V unfairly. So she didn’t think that the complaint should be upheld.

Mr V disagreed with our investigator’s assessment and asked for an ombudsman to review his 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 thought about everything, I’ve decided not to uphold Mr V’s complaint. I’ll explain why in a little more detail.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Zopa needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr V could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Zopa should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mr V's complaint.

Mr V's credit card was opened in November 2021 with a credit limit of £400. Mr V's credit card, under the regulator's rules and guidance, is also known as a revolving credit facility. As this was a revolving credit facility, this meant that Zopa was required to understand whether Mr V could repay around £400 within a reasonable period of time. Not whether he could pay the entire amount in one go.

I understand that Zopa carried out a credit check before initially agreeing to provide this credit card. Zopa's credit check showed that Mr V didn't have any recent significant adverse information recorded against him – such as defaulted accounts and county court judgments (“CCJ”) - recorded against him. The defaults that were present were historic.

Furthermore, Mr V didn't appear to have been overly indebted. He had total outstanding balances of around £15,000.00. I appreciate that Mr V has disputed this position and has referred to a full copy of his credit report. But Zopa's credit check wasn't as granular and didn't contain as much information as the full credit file which Mr V has obtained.

It's also worth noting that Zopa was obtaining a snapshot of what Mr V owed at that particular time and credit reports take some time to update. Whereas Mr V has obtained a full copy of his credit report, after the event, and this shows his full credit history going back six years. I don't think that Mr V is comparing like with like when arguing what Zopa ought to have known about.

That said, I do think that Zopa ought to have been aware, from the information on its own check, that Mr V had a history of payday type lending. I don't think that this in itself meant that Mr V shouldn't have been lent to. But I do think that Zopa needed to factor this into its decision on whether to lend, which I do think that it did so, by only providing Mr V with a low credit limit to begin with.

Indeed, a credit limit of £400 required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time. And the information I've seen in relation to what Zopa gathered in relation to Mr V's circumstances does suggest that Zopa was reasonably entitled to conclude that he had the funds to make the low monthly payments required to clear such a credit limit within a reasonable period of time.

As this is the case, I'm satisfied that it wasn't unreasonable for Zopa to have agreed to provide Mr V with a credit card that had a credit limit of £400.

In reaching my conclusions, I've also considered whether the lending relationship between Zopa and Mr V might have been unfair to Mr V under section 140A of the Consumer Credit Act 1974 (“CCA”).

However, for the reasons I've explained, I don't think Zopa irresponsibly lent to Mr V or otherwise treated him unfairly. And I haven't seen anything to suggest that section 140A

CCA or anything else 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 V. 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 V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 30 September 2024.

Jeshen Narayanan  
**Ombudsman**