

## **Complaint**

Mr J has complained about a personal loan Zopa Bank Limited (“Zopa”) which he says it unfairly lent to him.

He says his existing debts and poor credit score meant that this loan was unaffordable for him.

## **Background**

Zopa also provided Mr J with finance to acquire a car in April 2023. However, Mr J hasn’t complained to us about that hire-purchase agreement and this decision is solely about the fixed sum loan which Zopa provided to him.

Zopa provided Mr J with a loan for £8,000.00 in September 2023. This loan had an APR of 20.8% and the total amount to be repaid of £11,491.00, which included interest fees and charges of £3,491.00, was due to be repaid in 48 monthly instalments of around £239.40.

One of our investigators reviewed what Mr J and Zopa had told us. He thought that Zopa hadn’t acted unfairly and didn’t recommend that the complaint be upheld.

Mr J disagreed with our investigator’s assessment and asked for an ombudsman to review his complaint and make a final decision on it.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

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 J complaint.

Having carefully considered everything, I’m not persuaded to uphold Mr J’s complaint. I’ll explain why in a little more detail.

Zopa needed to take reasonable steps to ensure that 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 J could afford to make his repayments before lending to him.

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 irresponsibly.

Zopa says it approved Mr J application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out which showed his main existing commitments. In Zopa's view all of the information it gathered showed that Mr J could comfortably afford to make the repayments he was committing to.

On the other hand, Mr J has said he was already in debt and couldn't afford this loan.

I've carefully thought about what Mr J and Zopa have said.

It's clear that Zopa did obtain a reasonable amount of information before it decided to proceed with Mr J's application. It asked Mr J about his employment and his living situation. And while I realise that our investigator's assessment said that Zopa's records suggested he was a homeowner, this was an error as the records from Mr J's application indicate that Zopa recorded Mr J as having said that he was living in rented accommodation and paying £650 a month for this.

This credit search information does appear to suggest that Mr J had some existing debts. But I'm afraid that I don't agree that these were excessive, particularly as a significant chunk of this was made up of the hire-purchase agreement which Mr J had with Zopa and which he'd been making all the payments to, on time, up until that point.

It is also worth noting that while Mr J did have defaulted accounts recorded against him (and this is the more likely than not the reason for him having a lower credit score as he says) these were historic as they were from more than four years prior to this application. Mr J's active credit commitments were being reasonably maintained and given this information was more recent, I don't think it unreasonable for Zopa to have placed more weight upon this.

I've also thought about what Mr J has said about Zopa needing to account for his net profit as he was self-employed, and this was substantially lower than his income. However, Mr J was asked for his income, not his business turnover and this is the question he answered. It was up to Mr J to have accounted for this in his answer. Particularly as this was something that Mr J will have had to complete returns for as part of running his own business.

In these circumstances, I think that Mr J ought to have realised that his income was what he personally received each month rather than his business' turnover. Furthermore, I simply wouldn't expect a lender to work out a business' profit before providing an individual with a personal loan.

I've also considered whether as this was Mr J's second finance agreement with Zopa, this meant that it should have done something differently in relation to this application. But Mr J's first Zopa successful application for finance was for a hire-purchase agreement where the funds could only be used to acquire a car. This fixed sum loan was the first application where Mr J was being provided with cash funds and this was for a much lower amount than he was lent in April 2023.

So I don't think that it was clear, by the time of this application, that a pattern of unsustainable borrowing had already developed, or that one might have been developing, and that Zopa ought reasonably to have factored such a consideration into its decision. I don't think that Mr J stating that he was hoping his loan would be approved before the weekend so that he could purchase items while he was off work, during the phone call he had with Zopa, changes this either. I don't think this in itself was an indication of financial difficulty and dependence on credit in the way he says it was.

For the sake of completeness I would also add that even if I were say Zopa ought to have done more as of this was not Mr J's first application for credit with Zopa, at the absolute best, I'd have expected Zopa to have a better understanding of Mr J's actual living costs, rather than carry out a complete review of Mr J finances. And having looked at copies of the bank statements Mr J has provided, I can't see that he was making payments towards his living costs, which considering the rest of the information he provided at the time, meant that the loan payments were unaffordable either.

Equally, it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr J is suggesting. As this is the case, I don't think that Zopa did anything wrong when lending to Mr J - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

In reaching this conclusion I've also considered whether the lending relationship between Zopa and Mr J might have been unfair to Mr J 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 J or otherwise treated him unfairly in relation to this matter. 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 overall and having considered everything, I'm satisfied that Zopa didn't treat Mr J unfairly or unreasonably when lending to him. And I'm not upholding Mr J complaint. I appreciate this is likely to be very disappointing for Mr J – especially bearing in mind what he's said about seeing other final decisions issued against Zopa, where the complaints were upheld. However, each case is considered individually and on its own merits and I hope that Mr J will understand the reasons for this decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr J's complaint, nonetheless I would like to remind Zopa of its continuing obligation to exercise forbearance and due consideration, given what Mr J now says about his financial position and its impact on his ability to repay what he owes.

I would also encourage Mr J to get in contact with and co-operate with any steps that may be needed to review what he might be able to repay. For example, completing any income and expenditure forms sent. I don't think that it is unreasonable to expect him to complete and return such documentation to Zopa.

For the sake of completeness, I'd also add, that exercising forbearance doesn't in itself mean Zopa shouldn't add any interest at all on Mr J's loan either. That said, Mr J may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with Zopa's actions in relation to exercising forbearance going forward.

### **My final decision**

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

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

Jeshen Narayanan  
**Ombudsman**