

The complaint

Mr F believes Commsave Credit Union Limited acted irresponsibly by agreeing loans he'd applied for.

What happened

I issued my provisional decision on this complaint on 19 May 2020, a copy of which is below and forms part of this decision.

copy of provisional decision

complaint

Mr F believes Commsave Credit Union Limited acted irresponsibly by agreeing loans he'd applied for.

what happened

Mr F has been a member of Commsave, through his employer, since 2015. Between January 2015 and October 2018 Mr F took out nine loans with Commsave, totalling £27,400. Payments for these loans were made by a direct deduction from his salary and have increased from £44 a week in January 2015 to £81 a week in October 2018. As part of the agreement, Mr F was also required to open a savings account with Commsave and save regularly. He did this, and his savings had increased from £0 to £5,000 in October 2018 when the last of the nine loans was approved.

Mr F also has a £2,000 revolving credit account with Commsave, which he maintains at or near the limit. This costs him £40 a week. But, between August 2015 and June 2019, Commsave also refused Mr F an additional six loans, totalling £26,458.

Mr F says he has a gambling problem, which has caused him financial difficulties. He says he's taken out loans with other lenders at high interest rates as a result. And he admits to being selective with the information he gave Commsave when he's applied for loans. But he feels Commsave should've asked him more questions, and completed more checks, than they did. Because of this he's complained that Commsave were irresponsible when they lent him money.

Our investigator thought Commsave could've done better. He thought they'd completed adequate and appropriate checks when they approved some of the loans, and he thought it was reasonable they'd relied upon Mr F's overtime as this was a regular part of his income. But he didn't think it was reasonable they'd considered Mr F's partner's income when calculating affordability, as the loans were just in Mr F's sole name.

He also didn't think that Commsave had taken proper account of Mr F's outgoings. He said his bank statements showed a consistently low balance, use of an unarranged

overdraft and returned direct debits. He also said these showed substantial gambling transactions and payments to lenders that hadn't been declared on loan applications.

Because of this, he didn't think Commsave should've approved the loan in August 2015 or lent him any money after this date. So he recommended they refund all of the interest charged after August 2015 and arrange a repayment plan for the remaining balance.

Commsave didn't agree with the investigator. They felt they'd fully considered all of Mr F's circumstances when approving each loan – he was making regular payments on time to all of his priority commitments, so they didn't think the gambling transactions indicated a significant problem.

They also said it was important to understand the financial picture of the whole household. So they felt they were able to consider Mr F's partner's income when making a lending decision, as long as it was reasonable to assume Mr F had access to this income. And they thought that it was reasonable to expect the partner to be contributing to the household expenditure, because she had her own income.

Commsave have also said Mr F has been saving £50 a week with them for some significant time – more than he needed to under his agreement with them. They feel this shows he has disposable income over and above what he needed to meet his commitments. And they don't think this is the behaviour of someone in financial difficulties – Mr F has never told them he's having problems maintaining his payments, and they'd work with him to restructure his loans if he did.

my provisional findings

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

When someone complains about irresponsible and/or unaffordable lending, I need to consider whether the lender completed reasonable and proportionate checks to satisfy itself that the lending was affordable, and that the affordability was sustainable. Where reasonable and proportionate checks were carried out, I need to consider if the lending decision was fair. And if reasonable and proportionate checks weren't carried out, I need to consider if the loan would've been approved if the checks had taken place. And I need to consider this for each and every loan.

There's no set list for what reasonable and proportional checks are, but I'd expect lenders to consider things such as the amount, duration and payments of the loan being applied for; as well as the borrowers' personal circumstances at the time of each application.

In making his complaint to us, Mr F has admitted that *"I would apply when I had a lot of overtime to make the payslips appear better than they really were."* Mr F has provided copies of some recent payslips, which he says show he can't afford the loans. These show that his gross income without overtime is £444. And after deductions it means he picks up just £33 a week.

But the deductions include Mr F's payments to Commsave and other lenders. And, when looking at Mr F's year to date income showing on these payslips, this shows his average gross weekly income is actually £564. Given this, I can't agree that £33 a week is reflective of what Mr F regularly picks up. It's not a true reflection of his current financial position now and isn't reflective of his financial position when he applied for

the loans – the payslips I've seen from the time Mr F applied for his loans show an average gross weekly income in excess of £700.

I've seen copies of the loan applications Mr F made, and the household income and expenditure he declared each time. In each case, the monthly disposable household income was never less than £2,500. But I have to consider whether it was fair for Commsave to consider household income and expenditure on a sole named loan. I accept the argument that Commsave have put forward, and I think this should've formed part of their decision. But I also think they should've considered Mr F's sole income and expenditure to ensure the loan was affordable to him.

From what I've seen, Mr F declared that his partner had a similar income to him. And bank statements show Mr F transferred money to his partner on a weekly basis. I understand that this was his contribution to the regular household bills – rent/mortgage, utility bills, food etc. And because Mr F has his loan contributions for Commsave and some other lenders deducted from his income at source, these have already been considered before the net income is calculated. So it wouldn't be fair to then consider these as expenditure as well – they'd be double counted otherwise.

Applying the above to the applications Mr F has made, I've not seen anything to show me that any of the loans were unaffordable at the time they were applied for. Based on the lowest weekly payslip Mr F provided with each application, his disposable income was always more than sufficient to support the increase in weekly payments linked to the loan he was applying for.

So, even though Commsave included the partner's income and expenditure in their calculations, I'm satisfied the loans were affordable to Mr F at the time he applied for them.

Commsave have said they carefully consider every application they receive, and their assessment includes looking at payslips, bank statements and the information provided by credit reference agencies. They additionally consider known savings and savings behaviour. Because he had no track record with Commsave at the time of the first loan, this application was assessed on the basis of the information declared and provided by Mr F, and his credit file. Subsequent lending decisions also considered how Mr F was maintaining his existing loan and his savings account.

I've seen the credit files that Commsave considered as part of their lending decisions. These show Mr F had defaults, but they also show an improving situation, with a reducing level on indebtedness from 2016 to 2019. It's not unusual that people using Credit Unions have poor credit histories and can't get loans from high street lenders. This is the service they provide, filling the gap between traditional lenders and high interest lenders. So I don't see that Mr F's credit history was a reason why Commsave shouldn't have lent to him.

Mr F has provided bank statements going back to 2013 – two years before he applied for his first loan with Commsave. These statements show a substantial number of gambling transactions. They also show direct debits being regularly returned, because there wasn't enough money in the account to pay them, and payments to high interest lenders. But these statements weren't sent to Commsave as part of any loan application Mr F made, so I can't say Commsave shouldn't have lent him money based on these - they can't be held responsible for something they weren't aware of.

Mr F's bank statements just before he applied for the first loan still show gambling transactions, but these were minimal compared to the earlier statements. And the

bank statements Commsave would've seen for subsequent loans show a reducing number of gambling transactions over time – by 2018 they're showing an average of one bet a week, usually in the region of £25, although sometimes higher.

Just because there are a number of gambling transactions, this doesn't mean that someone must have a gambling problem, and it'd be unfair of Commsave to assume this was the case. These transactions form part of the picture, not the whole picture. For the most part, Mr F was maintaining a positive balance, making payments on time, and wasn't relying on his overdraft to keep his finances going. And Mr F was maintaining regular weekly savings with Commsave during this period, at a rate higher than was required.

So I don't think Commsave should've declined all of Mr F's loans because he was spending money gambling – he could easily have been spending the same amount of money on other social activities, for example eating out, and this wouldn't be considered as any cause for concern either. It's how this social spending forms part of the overall picture that's important, not what specific type of spending is taking place.

Taking all of the above into account, and that Commsave have declined Mr F's applications for loans on multiple occasions – the value of the approved loans and the value of the declined loans are almost the same; I don't agree that they've been irresponsible when lending to Mr F, or that the loans weren't affordable to him at the time he took these out.

But, if the loans are no longer affordable to Mr F, I'd expect Commsave to act positively and sensitively to his current financial circumstances, and work with him to agree a repayment plan that's suitable for his needs and is sustainable.

Commsave have also offered to refund Mr F all of the interest he was charged between August 2015 and October 2018. It's now for Mr F to decide whether to accept that offer or not.

my provisional decision

For the reasons explained above I don't intend to uphold Mr F's complaint about Commsave Credit Union Limited.

In summary I said that, between January 2015 and October 2018, Commsave had approved £27,400 in loans for Mr F. Also, between August 2015 and June 2019 they'd turned him down for additional loans totalling £26,458. And because Commsave required Mr F to regularly save with them, by October 2018 he'd saved £5,000 and was saving at a higher rate than Commsave required.

I was satisfied Commsave had made appropriate checks every time Mr F had applied for a loan, and that every loan was affordable at the time it was approved. This was based on the information Mr F had provided to Commsave at the time of each application, and on additional checks, for example Mr F's credit file, Commsave undertook.

But I didn't think it was reasonable that, for loans in Mr F's sole name, Commsave had also used his partner's income. But, because the loans were affordable based on Mr F's income and expenditure alone, I didn't think this meant Commsave had been irresponsible.

Mr F also said he had a gambling problem, which was reflected in the bank statements he provided to us – although not all of these bank statements were provided to Commsave as part of any application he made. I didn't think the existence of the gambling problem meant

that Commsave should've automatically not lent Mr F any money; and I didn't think it meant that any lending was therefore automatically irresponsible. I would've expected Commsave to consider Mr F's spending habits as part of any overall assessment of a loan application, and I was satisfied they did.

So I agreed Commsave had acted reasonably when they approved Mr F's loans. I also acknowledged that Mr F said he was now in financial difficulties and that Commsave said they were willing to work with him to come to a mutually agreeable payment arrangement. Commsave had offered to refund Mr F all of the interest he'd been charged between August 2015 and October 2018. I said it was now for Mr F to decide whether to accept that offer.

Both Mr F and Commsave have been given the opportunity to comment on my provisional decision. Commsave agreed with my provisional decision. But Mr F said his take home pay, without overtime, is £33 a week, and this isn't enough to cover his existing financial commitments. And he says he borrowed money from other lenders to put into savings, to support the loans he took from Commsave. He now can't access those savings because he has to keep a minimum balance based on the loans he's got.

Mr F has also said that he hasn't contacted Commsave about his financial difficulties, as he was put off doing so by what he's seen on an online forum. He'd ideally like all the interest frozen, which would give him the opportunity to repay the capital outstanding, and this is what he's been offered from other lenders.

What I've decided – and why

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've responded to the points raised by Mr F below.

I've seen from the payslips Mr F has provided that his weekly take home pay, without overtime, is £33. But these payslips also show that overtime is a regular and substantial part of his salary. So I didn't think £33 a week was reflective of what Mr F picks up week in, week out. But I understand this is what Mr F picks up some weeks, and that it isn't enough to cover his outgoings those weeks. Which will put a strain on his finances.

But Mr F's current financial position isn't reflective of his financial position when he took the loans out. So, because he's struggling now, I can't say he shouldn't have been lent any money between 2015 and 2019. I remain satisfied the loans were affordable at the time he took them out. And that affordability took into consideration the other loans Mr F had taken out – whether he used those loans to boost his saving or for other purposes.

I appreciate Mr F's honesty about his financial situation. But, because payments to Commsave are deducted direct from his salary, they wouldn't be aware of his current financial situation unless he told them about it. And he's been reluctant to do this. Which I also understand.

I can't tell Commsave what to do about Mr F's current financial situation, but I would expect them to work with him to agree a more affordable payment. Before they can do this though, Mr F will need to approach them about his difficulties and give them all the information they need so they can look at what's affordable.

So, Mr F's comments don't change my view that Commsave acted reasonably when they assessed his loan applications. And it remains his choice whether to accept their offer to refund the interest or not.

My final decision

For the reasons explained above I don't uphold Mr F's complaint about Commsave Credit Union Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 24 June 2020.

Andrew Burford
Ombudsman