

The complaint

Mr M complains that My Finance Club Limited didn't carry out adequate checks before lending to him. He says the loan provided is unaffordable.

What happened

Mr M was provided with a £400 loan by My Finance Club in April 2021. He says at the time of the loan he had three credit cards all at their limits and four other payday loans. He says the checks carried out before the loan was provided weren't adequate and that had a proper credit check taken place My Finance Club would have seen his other debts. He says he can't afford the repayments. When he contacted My Finance Club he says it offered an extension but didn't explain this would be recorded on his credit file as an agreement to pay.

My Finance Club says that before the loan was provided affordability and credit worthiness checks were carried out and based on these the loan appeared affordable for Mr M. It said Mr M confirmed he had provided accurate information and that he had considered the affordability of repaying the loan and that this wouldn't cause him financial difficulty.

Our adjudicator didn't uphold this complaint. They noted that only one loan was provided to Mr M and didn't think that further checks were needed in this case. They said that the information had been recorded on Mr M's credit file correctly.

Mr M didn't agree with our adjudicator's view and asked for his complaint to be referred to an ombudsman.

.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.

We've set out our general approach to complaints about short-term lending - including the key relevant rules, guidance and good industry practice - on our website. I've referred to this when considering Mr M's case.

Having carefully considered everything, I'm not upholding Mr M's complaint. I'd like to explain the reasons for my decision in a bit more detail.

Mr M was only provided with one loan by My Finance Club. While I note his comments about the size of the loan not being relevant when considering the level of checks needed, I accept that lesser checks can be reasonable in the early stages of a lending relationship whereas as a lending relationship continues further checks would likely be proportionate. In this case, Mr M was asked about his income and expenses and a credit check was carried out. At this stage I think these checks were reasonable, assuming they didn't raise concerns that needed further verification.

Mr M's monthly income was recorded as £1,900 and My Finance Club says this was verified with Mr M's bank and having looked at Mr M's bank statements this income amount is

supported. Mr M declared expenses of £942. Mr M said he had no dependents and was living at home with parents and so a lower amount for housing and other costs would be reasonable. His expenses included £592 of payments towards other credit commitments. Based on the information gathered the £400 loan with a £522 repayment appeared affordable for Mr M.

The credit check carried out showed the Mr M had three credit cards all with balances at the limits. This gave him a total of just under £1,200 outstanding on credit cards. He also had a hire purchase agreement paying £268 a month and an unsecured loan with monthly repayments of £241 (made through weekly payments of around £56). Therefore, the amount included for Mr M's expenses for other credit commitments appears reasonable.

The credit report received by My Finance Club shows that Mr M had other debts, but this wouldn't necessarily mean that this loan shouldn't have been provided. I have also looked through the credit report Mr M has provided. He was using other short term loans around the time however there didn't appear to be any other short term loans outstanding at the time My Finance Club provided this loan. Mr M was maintaining his payments on his credit commitments and, on balance, I do not find that the credit information received by My Finance Club through its credit checks raised concerns that meant further checks were needed.

I am sorry to hear of Mr M's difficulties in repaying this loan and I can see that he was gambling in the months leading up to the loan being provided. But in this case, as I think the checks were proportionate and these didn't raise concerns about Mr M's ability to repay the loan, and I don't think the information gathered meant further checks were needed, I do not find that My Finance Club should have been reasonably aware of Mr M's gambling.

Mr M contacted My Finance Club when the loan was due for repayment to say he couldn't afford the repayment. I have listened to the call on which he says he has crashed his car and can't afford the loan repayment due that week. My Finance Club offers him a 30 day extension and explains the interest charged for this and that Mr M can repay the loan earlier. Mr M asks about the impact on his credit file and is told it will be recorded as a payment plan and that this will then be changed to settled when the loan is repaid. So, while I understand that Mr M is upset by the impact on his credit file, I find he was told how the extension would be recorded.

As My Finance Club assisted Mr M when he said he couldn't make his repayment and I cannot say it has done anything wrong by recording the payment plan for the month that the loan repayment was delayed, I do not find I can say it did anything wrong in this case.

My final decision

My final decision is that I do not uphold this complaint against My Finance Club Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 November 2021.

Jane Archer
Ombudsman