

The complaint

Mr R complains that London Mutual Credit Union Limited ('London Mutual') irresponsibly gave him a loan that he couldn't afford.

What happened

In March 2015, Mr R applied for a credit account with London Mutual. Mr R applied for a loan of £5,000. London Mutual offered him a loan of £1,500, which Mr R accepted. The loan was to be repaid over 36 months and the monthly repayment amount was £51.

In 2021, Mr R complained to London Mutual to say that the loan shouldn't have been opened for him because it wasn't affordable and that London Mutual ought to have made a better effort to understand his financial circumstances before giving him the loan.

Our investigator recommended the complaint be upheld. London Mutual didn't agree. So, the complaint was been passed to me to decide.

I issued my provisional decision in respect of this complaint on 5 September 2022, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why I didn't agree with the adjudicator's view and that it was my intention not to uphold Mr R's complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

London Mutual will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mr R's complaint is that London Mutual made credit available that was unaffordable. London Mutual has explained that it required of Mr R payslips and bank statements along with the application, and they carried out a credit check to determine the amount of credit it was able to offer. Having conducted the above checks, it is worth noting that London Mutual declined to provide the full amount of money that Mr R had requested. The above information lead London Mutual to offer Mr R less than a third of what he had asked for.

It's possible that London Mutual failed to make adequate checks before providing Mr R with credit. But even if that's true, I don't think better enquiries would have caused London Mutual to think the credit it provided Mr R was unaffordable. I explain why I say that below.

I have considered that Mr R's income was not modest. And that the loan was for a modest amount and the monthly repayment on it was also modest. In saying that I have had regard

for the information that Mr R provided to London Mutual at the time the lending decision was made. Mr R completed an income and expenditure check. In doing so, Mr declared that he had a disposable income of £196 per month.

It is not straightforward trying to determine affordability even when Mr R has been able to provide copies of his bank statements from the time in question. I say that because the current account that Mr R has provided statements for is a busy account with more activity than a straightforward income and expenditure. In any event, I have considered the bank statement for the month before the loan. I have noted that at 31 January 2015 the balance was £1,476.11 in debit. And the balance on 28 February 2015 was £578.98 in debit. I mention this because despite the busy activity on the account, In the month before applying for the loan, Mr R was applying some order to his account which was not becoming more in debit.

I've noted there are no indications from the bank statements of the issues Mr R has told us he was facing with gambling. And it appears that Mr R had not made London Mutual aware of this habit at the time of the lending decision. I'd only expect London Mutual to act on information available to them and I don't believe London Mutual would have known about Mr R's habit. So, I don't think it was unreasonable for them to lend on this basis.

I have noted Mr R's other borrowings at the time, but they do not strike me as so onerous that the lending of such a modest amount becomes automatically unaffordable. And Mr R's credit file shows that up to the point of this lending decision, Mr R's credit file is clear of adverse markings – no missed payments or defaults.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Mr R to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led London Mutual to think that the credit it provided Mr R was unreasonable. Further, I'm not persuaded that the way Mr R was managing his account or what London Mutual could see of his management of other credit ought to have prompted it to have acted differently than it did.

I know that Mr R will be disappointed with my decision. But I want Mr R to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

My provisional decision

For the reasons given above, I'm currently minded not to uphold this complaint."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 19 September 2022. London Mutual has acknowledged receipt of the provisional decision and has said they have no further submission they wish to make. Mr R has not acknowledged receiving the decision, or made any further submission, or asked for an extension to do so. I think that Mr R has had sufficient time to make substantive further submissions if he had wished to. So, I am proceeding to my final decision.

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.

Given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those findings. And as I've already set out my full reasons for not upholding Mr R's complaint, I have nothing further to add.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 18 October 2022.

Douglas Sayers
Ombudsman