

The complaint

Mrs R complains that East Kilbride Credit Union Limited was irresponsible in its lending to her.

What happened

Mrs R was provided with a £4,600 loan by East Kilbride Credit Union in November 2018. She was required to make 53 fortnightly repayments of £100 followed by a final repayment of around £22. She says that at the time of the loan she was struggling financially and getting deeper into debt. She says she was given the loan even though her income was only around £700 a month and that a credit check wasn't carried out before the loan was provided.

East Kilbride Credit Union said that at the time the loan was provided it didn't routinely undertake credit checks. It said its assessment was based on a face to face meeting in which Mrs R's income and expenditure was scrutinised. It said it checked Mrs R's payslip and bank statements and these showed no other major creditors. It noted that Mrs R had made a series of deposits with the credit union between April and November 2018 and had a balance of £1,160. It said Mrs R had no record of bankruptcy or entering a trust deed or individual voluntary arrangement and her loan application met its criteria.

Our adjudicator didn't uphold this complaint. He thought the checks carried out were reasonable and didn't suggest the loan repayments were unaffordable.

Mrs R didn't agree with our adjudicator's view. She didn't think certain benefits should have been taken into account and said her wages were £700 a month and her rent £650 a month. She said she had two county court judgements and a credit check would have shown her situation.

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.

Before providing Mrs R with the loan, East Kilbride Credit Union needed to make sure that it was affordable for Mrs R. Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit, and what it knew about Mrs R at the point of application.

East Kilbride Credit Union has explained the checks it undertook before lending to Mrs R. These included a face to face meeting and evidence being gathered of Mrs R's income and

expenses. While a credit search wasn't undertaken at the time of the loan, checks had been carried out to ensure Mrs R wasn't bankrupt or in a trust deed or individual voluntary arrangement. I have considered the checks that were undertaken, noting the history Mrs R had with East Kilbride Credit Union at the time of the loan application and the size and duration of the repayments. Having done so I think the checks were proportionate. A credit check wasn't required to be undertaken and while I appreciate that this would have shown the county court judgments, as I think the checks carried out by East Kilbride Credit Union were reasonable, I have considered the information it received and whether, based on this, it was reasonable that it considered the loan to Mrs R was affordable.

As part of Mrs R's application an income and expenditure assessment took place. This showed Mrs R's monthly income to be a combination of wages and benefit payments. These totalled around £2,260. Mrs R provided evidence of her wages and the benefit payments were recorded in the bank statements she provided. I note Mrs R's comment about the benefit payments being taken into account as part of her income but in this case these were payments which she could use towards her living expenses and so I find it reasonable her income figure included both her earned income and her benefits.

I have looked at Mrs R's bank statements from the time and these generally support the information included in her expenditure form although as our adjudicator noted there was a payment of £100 at end October 2018 towards a credit commitment that wasn't listed in the form. Including this and noting the overdraft position alongside the expenses Mrs R had already set out I don't think meant the lending appeared unaffordable. I have also considered that the bank statements showed Mrs R to be overdrawn and there were some instances of returned direct debits. However, on balance, I do not find there was enough in the statements to say that the loan shouldn't have been provided.

Overall, while I am sorry to hear of the issues Mrs R has experienced, in this case I think the checks carried out were proportionate and as these suggested the loan was affordable I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 16 November 2022.

Jane Archer
Ombudsman