

## **The complaint**

Mr C complained that Brent Shrine Credit Union Limited, trading as My Community Bank (“BSCU”) irresponsibly granted a personal loan in November 2022 that he couldn’t afford to repay.

## **What happened**

In November 2022, Mr C took out a loan of £3,000, over a term of 24 months. The monthly payment was £167.54.

Mr C has complained that the loan was unaffordable at the time of application. He said this was one of a number of loans taken out at high interest rates to repay other debts, and that the payments were unsustainable. Mr C mentioned having taken out five other loans in the preceding six months, and he thinks that a thorough assessment of his credit record would’ve shown these, along with high credit card balances, recent missed payments, and a history of permanently being in his overdraft. He said that further checks should’ve been conducted, and bank statements requested to support the lending decision, and that these would’ve shown the loan to be unaffordable. Mr C has also mentioned having gambling problems when he took out the loan.

Mr C thinks that BSCU should refund all interest and charges, and remove any negative information from his credit file.

Mr C complained to BSCU about this. BSCU said it had carried out appropriate checks before granting the loans, and told Mr C that it did not uphold his complaint.

Mr C then brought his complaint to this service. Our investigator looked into it, and although he thought that BSCU ought to have carried out further checks before lending to Mr C, he felt that those checks would nonetheless have shown that the loan repayments were sustainable. So he didn’t think the complaint should be upheld. Mr C didn’t agree, and asked for his complaint to be reviewed by 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I’ve taken this into account here.

I’ve decided not to uphold Mr C’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether BSCU completed reasonable

and proportionate checks to satisfy itself that Mr C would be able to make the repayments on each loan account in a sustainable way.

Mr C sent in a copy of his full credit file, and bank statements for the months preceding his loan application, BSCU provided a copy of the loan agreement, and details of the checks it carried out before granting the loan.

BSCU said in its final response letter to Mr C that it used information from a credit reference agency (CRA) and found the following:

- There was one hard search in the previous 3 months
- Mr C had approximately £1,314 per month in credit commitments, and £529.50 on mortgage repayments
- There were no insolvency records or delinquencies registered
- Mr C had two active credit accounts opened in the last 3 months with a balance of approximately £10,500
- There were no payday loans

BSCU further said that Mr C had declared a gross annual income of £100,000, which it verified from the CRA records, and it used data from the Office of National Statistics to estimate living expenses and an additional 'buffer'. BSCU concluded that after taking account of all expenditure – including the repayments on recent loans – and all of the information from Mr C's credit report, he would still have enough disposable income to meet the monthly loan repayments sustainably.

Looking at the information BSCU provided about its checks, I can see that it had had used a monthly income of £3,000 in its calculations – which is lower than Mr C's stated income. It had identified two loans recently taken out by Mr C, as it stated in its final response. I am conscious that Mr C had taken out a further loan in the week before applying to BSCU, but this would not have shown up on CRA records in such a short time (and neither is it likely to have appeared on Mr C's bank statements by then had BSCU requested them) so it's not unreasonable for BSCU to have been unaware of it. The checks also showed some late repayments in the preceding six months.

I also note from the checks that BSCU had identified credit and mortgage commitments of just under £1,850, and taken together with the estimate of living expenses, this didn't leave a great deal of disposable income after taking account of the new loan payment.

So taking all this into account, I think BSCU should have carried out further checks before granting the loan, for example making enquiries about Mr C's income and expenditure.

As I noted above, I have copies of Mr C's bank statements for the months leading up to the loan, along with his credit history. The figures used by BSCU for credit commitments and living expenses are consistent with what's on the statements. And from what's on Mr C's credit history, there's no evidence of excessively high credit card balances, or high overdraft limits. However, Mr C's monthly income as shown on the statements is significantly higher than that used by BSCU – but *is* consistent with Mr C's declared income of £100,000 as noted above. So even after allowing for *all* of Mr C's commitments, including the loan taken immediately before the application to BSCU, I'm satisfied that Mr C was left with sufficient disposable income to sustainably meet the monthly repayments on the loan from BSCU.

I accept that Mr C had a number of credit commitments, some quite recent, and I've thought about this very carefully. However, the overall level of unsecured borrowing relative to Mr C's

income does not seem excessive, and I can see that BSCU took account of this in its assessment, using the information from the CRA. And the loan from BSCU was for a relatively low amount.

I also note that Mr C has said that, when he applied for the loan from BSCU, he was transferring money from his current account to another account, and was using these funds for gambling transactions. And I can see from Mr C's bank statements that there are indeed a number of transfers out to another account in his name. Again, I've considered this point very carefully, and I'm mindful of the distress that gambling problems can cause, but set against this I've no evidence that BSCU was made aware of Mr C's gambling transactions, and the transfers shown on the bank statements are not identifiable as being related to gambling. So even if BSCU had requested bank statements to make further checks on Mr C's circumstances, I don't think it could reasonably have known about any gambling issues on the part of Mr C, so I don't think it did anything wrong in this regard.

In summary, whilst I consider that BSCU should have carried out further checks before granting the loan to Mr C, I don't have sufficient evidence to suggest that, if it had done so, it would have found that the repayments on the proposed loan would have been unaffordable or unsustainable. So my conclusion is that BSCU did not act unfairly in granting the loan to Mr C, and therefore I do not uphold this complaint.

### **My final decision**

For the reasons given above, I have decided not to uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 October 2023.

Jan Ferrari  
**Ombudsman**