

## **The complaint**

Mrs B complains that Brent Shrine Credit Union Limited trading as My Community Bank was irresponsible in its lending to her.

## **What happened**

Mrs B was provided with a £15,000 fixed sum loan by My Community Bank in October 2022. The loan term was 60 months with monthly repayments of around £386 followed by a final payment to clear the remaining obligations.

Mrs B says that the loan was unaffordable. She said the repayments account for a large proportion of her income and that she needed to borrow again. She said that had her income and expenses been assessed it would have been clear that the loan was unaffordable and that her credit file showed she had other debts and was struggling to meet her repayments on these.

My Community Bank issued a final response letter in February 2023. It said that as part of its application process it carried out creditworthiness and affordability checks. It said it verified Mrs B's income with a credit reference agency and used third party data to estimate her expenses. It said the credit check showed her other credit commitments and recorded no insolvencies, delinquencies or recent payday loans. It said that based on its assessment the loan was affordable for Mrs B.

Our investigator initially upheld this complaint. But after further consideration she decided not to uphold the complaint. She said that given the term of the loan, the repayment amounts and what was apparent about Mrs B's circumstances at the time it wouldn't have been proportionate for My Community Bank to ask for the amount of information needed to show the lending was unsustainable. She didn't think that there was anything in the information Mrs B provided that meant it was proportionate for My Community Bank to be required to verify the information. And based on the information she said the loan appeared affordable.

Mrs B didn't agree with our investigator's view. She said that her bank statements should have been taken into account so her income and expenses could have been assessed. She said that while she had said the loan was to consolidate debts, she hadn't stated which debts she intended to consolidate. She said she didn't use the loan to consolidate her debts and even if she had the repayments under the new loan would have left her in a worse financial position.

## **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 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, and the total cost of the credit.

Before providing the loan, My Community Bank asked Mrs B about her income and carried out a credit check. Mrs B declared an annual income of £31,600 and My Community Bank verified this with a credit reference agency. Mrs B has confirmed this income was correct at the time and while I understand her hours were then reduced the assessment was based on the information provided at the time of application. Based on an annual income of £31,600, Mrs B would have received a monthly income of around £2,100.

The credit check undertaken by My Community Bank recorded Mrs B as having monthly credit commitments of around £427 and monthly mortgage commitments of around £325. Mrs B said the purpose of the loan was debt consolidation and while I understand that she didn't use the loan for this purpose, I think it reasonable that My Community Bank accepted this was the purpose of the loan in its assessment.

My Community Bank has said it assessed Mrs B's expenses based on third party data. In certain circumstances we would expect the expenses to be verified, but I think in this case the checks carried out by My Community Bank were reasonable. I say this because Mrs B's credit check didn't raise concerns that I think meant further checks should have taken place (My Community Bank has said that there were no delinquencies or insolvencies recorded and no recent payday loans). Considering the loan repayments compared to Mrs B's income (which was verified with the credit reference agency), and noting her other commitments as shown by the credit report and that the loan was said to be for debt consolidation, I do not find the information meant that verification of the expenses was required in this case.

While I consider the checks were proportionate, I have also to consider whether, based on the information gained through these, the loan should have been considered affordable for Mrs B. Mrs B's monthly income was around £2,100. Her mortgage commitments were around £325 a month and her credit commitments recorded in her credit file at the time of application were around £427. The My Community Bank loan required repayments of around £386 a month. This would give repayments of credit commitments (including the mortgage) of around £1,138. However, Mrs B gave the reason for the loan as being debt consolidation. Had this happened, Mrs B's credit commitments noted as £427 a month would have reduced.

Mrs B has said she wasn't asked which debts she intended to repay, and I have considered her comments in regard to what she could have repaid using the loan. Mrs B noted debts totalling around £11,000 that could have been repaid. This would have left her with around £4,000 from the loan proceeds after the debt repayments. Based on these repayments, Mrs B says her credit commitments would have reduced by around £283. This would result in credit commitments (including mortgage costs) of around £855. This was against a monthly income of around £2,100 (and I note Mrs B was also receiving regular benefit payments). While I understand that Mrs B also paid rent due to her house being in shared ownership, I do not find that the information gathered suggested the loan repayments would be unaffordable for Mrs B.

In conclusion, I do not find that I have enough to say that the checks carried out by My Community Bank were unreasonable and as these didn't suggest the loan repayments were unaffordable, 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 B to accept or reject my decision before 27 September 2023.

Jane Archer  
**Ombudsman**