

The complaint

Mr M says Brent Shrine Credit Union Limited, trading as My Community Bank, irresponsibly lent to him.

What happened

Mr M took out a 30-month loan for £2,800 on 30 January 2023. The monthly repayments were £132.41.

Mr M says the checks Brent Shrine CU carried out did not give enough information for it to make a reasonable lending decision. He already had six loans, an overdraft and was maxed out on his credit cards. He had to borrow from family to make his repayments. He asks for the interest and charges he paid to be refunded.

Our investigator did not uphold the complaint. He said Brent Shrine CU's checks were proportionate and did not show Mr M was unlikely to be able to sustainably repay the loan.

Mr M disagreed and asked for an ombudsman's review. He said if 70% of his income was attributed to loans (and probably 80% if his credit cards were included) he was always going to struggle to repay this loan. Also, this service has upheld his complaints about other lending when he was in a better position financially so this view is inconsistent.

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.

The rules and regulations when Brent Shrine CU arranged the loan for Mr M required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Brent Shrine CU had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr M. In other words, it wasn't enough for Brent Shrine CU to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Mr M.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for. In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make

- any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Brent Shrine CU did what it needed to before agreeing to lend to Mr M. So to reach my conclusion I have considered the following questions:

- did Brent Shrine CU complete reasonable and proportionate checks when assessing Mr M's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Brent Shrine CU make a fair lending decision?
- did Brent Shrine CU act unfairly or unreasonably in some other way?

I can see Brent Shrine CU asked for some information from Mr M before it approved the loan. It asked for details of his income and checked this with a third party. It used national statistics to estimate his rent and living costs. It also checked his credit file to understand his credit history and existing credit commitments. From these checks combined Brent Shrine CU concluded Mr M would be able to sustainably afford to repay the loan.

I think these checks were proportionate given the value of the loan and the monthly repayments relative to Mr M's income. And I think Brent Shrine CU made a fair lending decision based on the results of its checks. I'll explain why.

Mr M declared an annual gross income of £35,000 (approx. £2,355 net) and the lender was able to successfully verify that through one of the credit reference agencies. National statistics estimated his housing and living costs to be £1,112.89. The credit check showed his existing credit commitments were £565 a month. He wasn't spending 70% of his income on repayments as he stated in response to the investigator's view (70% was his debt to income ratio). I don't find the proportion of his income (24%) needed to maintain his credit at the time he applied to have been at such a level that it ought to have concerned Brent Shrine CU – and we find that is more useful data point to consider than the overall debt to income ratio when reviewing lending decisions. The credit check showed Mr M was managing his active credit well and he had only opened one new account in the last three months. He had no delinquent or defaulted accounts.

So, overall, I think it was fair for Brent Shrine CU to lend to Mr M. I accept that Mr M's financial position may not have been as stable as it seemed, but given the nature of this lending I don't find it would have been proportionate for Brent Shrine CU to carry out the level of financial review needed to possibly discover this.

It follows I do not think Brent Shrine CU was wrong to give this loan to Mr M. I have seen no evidence that Brent Shrine CU acted unfairly or unreasonably towards Mr M in some other way.

Mr M raised that such an outcome would be inconsistent with some of his other complaint outcomes from this service. I can only comment here on the merits of this complaint, but

would say that we assess each complaint on its individual merits. For irresponsible lending complaints, there is no set list of checks a lender has to carry out at the point of application, rather they have to be proportionate to the circumstances of the lending. This means they can vary by applicant and product type and so there can legitimately be a range of complaint outcomes for one person.

My final decision

I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 March 2024.

Rebecca Connelley
Ombudsman