

The complaint

Miss H complains that the loan she had from Brent Shrine Credit Union Limited (trading as My Community Bank) was unaffordable to her.

What happened

Miss H had one loan from My Community Bank in October 2020 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>
1	25 Oct 2020	£10,500	48m	£289.73	31 Oct 2024

Miss H says My Community Bank didn't assess her income and expenditure before agreeing the loan. She says she couldn't afford the repayments and is now in a cycle of debt. Miss H's representative says that My Community Bank also failed to provide a valid loan agreement.

My Community Bank says it conducted a creditworthiness assessment and verified Miss H's income and expenditure with Open Banking. It says its checks indicated the repayments were sustainable for Miss H.

Our investigator did not recommend the complaint should be upheld. She was satisfied that, based on the information it had, the loan was affordable to Miss H. She also found that My Community Bank had provided evidence of the validity of the loan.

Miss H's representative responded to say, in summary, that the agreement was unfair and key features weren't explained, affordability was assessed without evidence of income or expenditure, assistance was not offered, and charges were added to the original debt.

Provisional findings

I issued a provisional decision both to Miss H and to My Community Bank on 24 October 2023.

I've summarised my findings below:

- I was satisfied My Community Bank had carried out proportionate checks;
- But I didn't consider the information indicated the loan was sustainably affordable to Miss H because:
 - The loan was for 48 months, and My Community Bank needed to be satisfied that the repayments were sustainable over that period;
 - My Community Bank's affordability checks showed Miss H only had about £100 of disposable income each month;

- Miss H's bank statements showed regular transfers out of the account for around £800 which didn't appear to have been included in the affordability analysis;
- I saw evidence that showed:
 - Miss H's monthly income was £1,631;
 - Her share of the mortgage was £254 per month;
 - There were regular monthly payments totalling £443 for another loan, insurance, gym membership and a standing order to her partner;
 - Her minimum monthly credit commitment on a mail order account was around £50;
 - Food and travel costs combined averaged about £370;
- Miss H clarified that:
 - She was paying her mum £200 monthly for a loan her mum had taken out on her behalf;
 - Further transfers out of the account were for household bills, including utilities.

Even before the further transfers were taken into account, Miss H would have had only around £20 per month after she'd made the new loan repayment. So, on that basis, I was satisfied that My Community Bank should have found the new lending to be unsustainable for Miss H.

In summary, even though I found My Community Bank carried out proportionate checks, I didn't find it made a fair lending decision, although I didn't consider it acted unfairly or unreasonably in any other way.

Miss H provided no additional information.

My Community Bank responded to say it accepted my provisional 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.

As My Community Bank accepted my provisional decision, and neither party provided any additional information, I see no reason to depart from it.

My final decision

My decision is that I uphold this complaint. Brent Shrine Credit Union Limited (trading as My Community Bank) should:

- Add up the total amount of money Miss H received as a result of having been given the loan. The repayments Miss H made should be deducted from this amount;
 - If this results in Miss H having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement)*. My

Community Bank should also remove all adverse information regarding this loan from Miss H's credit file;

- If any capital balance remains outstanding, then My Community Bank should attempt to arrange an affordable and suitable payment plan with Miss H. Once Miss H has cleared the balance, any adverse information in relation to the loan should be removed from her credit file.

*HM Revenue & Customs requires My Community Bank to deduct tax from this interest. My Community Bank should give Miss H a certificate showing how much tax it's deducted if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 26 December 2023.

Amanda Williams
Ombudsman