

The complaint

Mr D says Brent Shrine Credit Union Limited, trading as My Community Bank (MCB), irresponsibly lent to him.

What happened

Mr D took out a 36-month loan for £1,500 on 16 November 2021. The monthly repayments were £67.84 and the total repayable was £2,524.78.

Mr D says the loan increased his debt to £5,590 and caused him serious financial distress.. He asks that the loan is written-off and that he receives £250 compensation for the distress he has suffered.

Our investigator did not uphold the complaint. He said MCB's checks were proportionate and nothing in the results suggested Mr D would be unable to sustainably repay the loan.

Mr D said this assessment was completely unfair and asked for an ombudsman's review. He was not earning £30,000 and can evidence this. And he has already sent in information about all the other loans he had at the time.

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 unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when MCB arranged the loan for Mr D 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 MCB had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr D. In other words, it wasn't enough for MCB to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Mr D.

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 MCB did what it needed to before agreeing to lend to Mr D. So to reach my conclusion I have considered the following questions:

- did MCB complete reasonable and proportionate checks when assessing Mr D'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 MCB make a fair lending decision?
- did MCB act unfairly or unreasonably in some other way?

I can see MCB asked for some information from Mr D before it approved the loan. It asked for details of his income and verified this with a third party. It also checked his credit file to understand his credit history and existing credit commitments. It estimated his housing and living costs using national statistics. From these checks combined MCB concluded Mr D would be able to sustainably afford to repay the loan.

I think these checks were proportionate given the value of the loan and its monthly repayment, and the stage in the lending relationship between MCB and Mr D.

Mr D argues that his gross annual income was not £30,000 but I can see from the application data that he declared it was £30,324. MCB verified this through one of the credit reference agencies (CRA) that compares declared income to current account turnover. I do not think it needed to do more given the nature of the lending, and it was reasonable for it to rely on the positive confirmation from the CRA.

I have then looked at whether MCB made a fair lending decision based on the information it gathered. I am satisfied it did, I'll explain why. Based on Mr D's declared and verified gross annual income, MCB would have understood his monthly net income to be approximately £2,025. Its credit check showed he had £259 of monthly credit commitments across six active accounts and it had estimated his housing and living costs to be £948.85. This meant he would have £817.15 disposable income to cover discretionary spend, unexpected expenses and this new loan repayment of £67.84.

The credit check showed Mr D had no defaults, CCJs, IVAs or bankruptcy records, no delinquent accounts and no payday loans. There were no searches showing from the previous three months. So MCB saw no indicators of financial strain. It is possible Mr D's full credit file showed some different and/or additional data as a lender will typically only see an extract from an applicant's file. And there can be difference due to timing lags and not all lenders report to all the CRAs. But I can only fairly expect MCB to respond to the results of its credit check.

In this context I think MCB made a fair lending decision as there were no signs the loan might not be affordable for Mr D. I accept he had other debt as he says, but it appeared to be well managed, and repayable within his means, so this alone would not be a reason to

decline his application.

Mr D suggests his financial position was not as MCB understood, and I accept that could have been the case. But given the nature of the lending I don't think it would have been proportionate for MCB to carry out a fuller financial review to possibly discover this. It follows I do not think MCB was wrong to lend to Mr D.

I note at one stage during this investigation Mr D asked which bank statements we needed to see. But as I don't think the lender ought to have carried out a fuller financial review we have not needed sight of his statements.

I have not seen any evidence that MCB acted unfairly towards Mr D in some other way.

It follows I have found no grounds to instruct MCB to write-off Mr D's loan balance as he requested, nor am I making a compensatory award.

My final decision

I am not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 8 March 2024.

Rebecca Connelley
Ombudsman