

The complaint

Miss J complains that the loan she had from North Edinburgh and Castle Credit Union Ltd (trading as Castle Community Bank) was unaffordable to her.

What happened

Miss J was approved for the following loan from Castle Community Bank in March 2022:

<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>
27 Mar 2022	£18,000	60m	£404.14	1 Apr 2027

Miss J says she took out the loan to repay existing debts. However, she says she was still struggling financially and had to take on further debt to cover the repayments. Miss J says she is now in a debt management plan, her credit score has been impacted and it's affected her mental health. She adds that she needed to chase Castle Community Bank for a response to her complaint and that it carried out no additional checks before closing her case.

Castle Community Bank says it carried out a credit worthiness check and affordability assessment and that Miss J met its lending criteria.

Our investigator did not recommend the complaint should be upheld. She was satisfied that Castle Community Bank had carried out proportionate checks and that there was nothing in the available information to indicate the loan was unaffordable to Miss J.

Miss J responded to say, in summary, that another loan had been found to be irresponsibly lent and she wanted the complaint reviewed.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Miss J's case, I have considered the following questions:

- Did Castle Community Bank complete reasonable and proportionate checks when assessing Miss J's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?

- Did Castle Community Bank make a fair lending decision?
- Did Castle Community Bank act unfairly or unreasonably in some other way?

I have considered the information from the checks carried out by Castle Community Bank and it shows:

- Miss J's income was roughly £2,700 per month, as validated by Castle Community Bank;
- Miss J's mortgage payments were £351 per month;
- Nine active credit accounts with a monthly credit commitment of £807;
- No adverse information on Miss J's credit file;
- The loan was to be used to repay existing debt;
- Other regular expenditure of £773.

This left Miss J with a calculated disposable income of around £770 and so Castle Community Bank found the repayment of £404 per month was affordable to her, especially considering she was using some of the loan to repay existing debt.

However, I'm not satisfied these checks went far enough for the loan because:

- The loan was for a period of 60 months and Castle Community Bank needed to be sure the repayments were sustainable for that period;
- Miss J was already committed to paying almost 30% of her income to unsecured credit repayments – including the mortgage this figure rose to 43%.

So, I've had a look at Miss J's bank statements from the time as a reasonable proxy for what proportionate checks may have shown and found:

- Miss J's income was in line with the figure used by Castle Community Bank;
- Miss J did repay an existing loan with the money, thereby reducing her monthly credit commitments by £452;
- Although Miss J's credit commitments and other expenditure were both slightly higher than the figures used in Castle Community Bank's calculations, her disposable income was still sufficient to sustainably afford the new repayment.

Therefore, although I consider that Castle Community Bank should have carried out better checks, I find those checks would still have indicated the loan was affordable for Miss J. I accept that Miss J says another loan has been found to be irresponsibly lent, but I have to consider the individual merits of each complaint.

I have also considered the customer service Castle Community Bank provided to Miss J. I acknowledge that she says she had to chase for a response to her complaint and Castle Community Bank said it incorrectly told Miss J a response had been sent. Castle Community Bank clarified that it mistakenly looked at a customer with a similar name and has now apologised for this. I am also satisfied that its response was sent within the eight-week guidelines. I note that Castle Community Bank also put Miss J's account on hold when it was

told of her financial difficulties in June 2023 and has now agreed to accept lower monthly instalments.

In summary I find Castle Community Bank made a fair lending decision, based on Miss J's financial circumstances at the time. I can see that Miss J made her repayments on time for the first 12 months, but that she then began to struggle. However, in its response to Miss J's difficulties, I don't consider Castle Community Bank acted unfairly or unreasonably in any way.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 27 June 2024.

Amanda Williams
Ombudsman