

The complaint

Miss A complains that Brent Shrine Credit Union Limited trading as My Community Bank ("BSCU") irresponsibly lent to her. Miss A says BSCU also delayed responding to her complaint and wasn't responsive when she asked for assistance in financial difficulties.

What happened

I issued a provisional finding on this complaint where I set out a detailed background to this complaint. That decision should be read in conjunction with this as it forms part of this decision.

In my provisional decision, I explained why I was inclined to reach different conclusions to the investigator. I gave both parties the opportunity to provide further comments and evidence before I issued my final decision.

My key provisional findings were:

"The decision to lend"

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss A's complaint. Both parties have responded to my provisional decision before the deadline and so I think it's to proceed with the final decision.

It's important to state Miss A's agreement was unregulated and BSCU's obligations aren't exactly the same as those for most lenders with regulated agreements. In particular, as BSCU is a Credit Union, its specialist sourcebook is the Credit Unions sourcebook ("CREDS") rather than the Consumer Credit Sourcebook ("CONC") as it wasn't carrying out credit related regulated activities when providing this loan to Miss A.

Even though that is the case, as BSCU is a firm authorised by the Financial Conduct Authority ("FCA"), I consider it fair and reasonable to expect it to have carried out reasonable enquiries into Miss A's circumstances to check that she'd be able to make the payments for her loan, and it should have only lent where its reasonable enquiries demonstrated that Miss A could make the payments.

BSCU has provided information to show it searched Miss A's credit file, asked about her income and used estimates from the Office of National Statistics (ONS) to determine her living costs.

The search into Miss A's credit file revealed that she didn't have any adverse information like defaults or County Court Judgements (CCJs). Miss A declared her annual income as £24,500 and I can see BSCU estimated her living costs including credit commitments as £1,316.10. BSCU says it added £50 buffer to Miss A's living costs.

On an annual income of £24,500, Miss A's net monthly income was around £1,700, I think Miss A's bank statements show this is in line with the average income Miss A earned in the three months prior to this loan.

As the credit file results didn't show anything that should have alerted BSCU that Miss A couldn't afford the loan repayments, it wasn't unreasonable for BSCU to rely on information

from the ONS when considering her living costs, particularly given the small proportion of her income the monthly loan repayment represented. I'm also mindful Miss A stated the loan purpose was for debt consolidation, although it would have been reasonable for BSCU to understand which debts Miss A was consolidating and how that would've impacted her finances.

Based on Miss A's declared figures and BSCU's estimate of her living costs, Miss A had sufficient funds to repay her loan over the term. I don't think this raised concerns that Miss A would struggle to keep up with her payments or that there was a reason for BSCU to take its checks further by requesting bank statements or other forms of verification.

I appreciate Miss A has provided her bank statements and I can see evidence that she was reliant on credit and also struggling with gambling. However, this wasn't something that was apparent to BSCU from reasonable checks in this case and so it wasn't aware of her gambling problems at the time it lent.

I was sorry to read of the difficulties Miss A experienced as a result of her gambling problems and I have no doubt it has had a significant impact on her. I was pleased to see that she is receiving help and support. I still need to consider what's reasonable in the circumstances of this case and the reasonable checks at the time of lending showed Miss A had sufficient disposable income to afford the loan repayments, so I don't think BSCU was wrong to lend to her the circumstances.

Has BSCU acted unfairly in some other way?

Miss A has said BSCU took too long to respond to her complaint. As the investigator pointed out BSCU had eight weeks in line with the regulator's requirements to address her complaint and the information shows it responded to her complaint within that time frame.

Miss A raised her complaint towards the end of October 2023 and BSCU responded in early December 2023 within eight weeks of her complaint. So, I don't think it has done anything wrong in this respect.

Miss A is also unhappy with how BSCU has treated her in financial difficulties. She has said she requested measures for forbearance, but BSCU was unresponsive. The investigator thought BSCU hadn't done enough here and recommended BSCU pay Miss A £200. BSCU hasn't disputed this.

I've looked at the correspondence between Miss A and BSCU. Miss A first contacted BSCU to ask for help in January 2023 and I can see that there were at least two repayment plans agreed as a sign of forbearance between January 2023 and June 2023.

Miss A contacted BSCU again in October 2023 but I can't see BSCU engaged with this request for help. It sent her emails about the arrears and outstanding balance, but I can't see it made steps to acknowledge her request or put in a plan for forbearance at the time. Also, when BSCU responded to Miss A's complaint, I can't see it addressed her request for help with repaying her loan, despite Miss A repeatedly requesting a response.

I'd have expected BSCU to engage with Miss A's request in a reasonable and fair manner and I think BSCU's lack of response in the circumstances has caused Miss A trouble and upset and it is fair that it compensates her for this. I think £200 is reasonable in the circumstances.

Miss A has said BSCU has now sold the loan to a third party and I'd remind it ensure Miss A is treated positively if she continues to struggle with her repayments.

While I understand my outcome in some regards will disappoint Miss A, I hope my explanation goes some way to help her understand why I've reached these provisional conclusions."

BSCU responded to say it didn't have any comments on the decision and Miss A responded

to say she understood the reasoning behind my finding on her income and proposed an agreement on repaying the debt to BSCU.

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.

Having reconsidered all the information on this case, I see no reason to depart from my provisional findings.

The overall information shows BSCU wasn't unfair when it lent Miss A the loan, but I think it could have handled her request for help better and it needs to put things right for that. I'd also remind BSCU to work with Miss A to come to a reasonable payment plan for the repayment of the outstanding balance.

Putting things right

BSCU's lack of timely response to Miss A's request has caused her a degree of trouble and upset and I think £200 is reasonable compensation in the circumstances.

My final decision

For the reasons given above and in my provisional decision, I uphold Miss A's complaint in part and direct Brent Shrine Credit Union Limited trading as My Community Bank to pay Miss A £200 for the trouble and upset caused as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 12 July 2024.

Oyetola Oduola
Ombudsman