DRN-5178207

The complaint

Mr W complains that Brent Shrine Credit Union Limited irresponsibly lent him a personal loan.

What happened

In November 2021, Mr W borrowed £3,000 from Brent Shrine. The interest rate was 31.44% and the loan term was 36 months, giving a monthly payment of £123.52. The purpose of the lending was to consolidate other debts.

In 2024, Mr W complained about the lending. He said he'd begun to struggle with the loan soon after it was taken out, and it had made his financial difficulties worse and caused him great stress. He said that Brent Shrine had over-estimated his income and had not taken his expenditure into account properly. He said he had higher than average living costs, which hadn't been factored in.

While Mr W's complaint has been under consideration, Brent Shrine has accepted a proposed debt management plan.

Brent Shrine didn't agree that it hadn't lent responsibly. It said it had assessed Mr W's creditworthiness and affordability. It found that he was managing his existing credit commitments well. It said Mr W declared he had an annual salary of £33,800, which it verified using a credit reference agency. It used modelled expenditure based on typical households like Mr W's. Even after allowing a buffer for contingencies, it found that the lending was affordable.

Our investigator didn't recommend upholding the complaint, so Mr W asked for an ombudsman to review it.

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.

When considering whether to lend, I'd expect Brent Shrine to consider whether the lending was affordable for Mr W, and to consider whether he could repay it sustainably. There's no set list of checks it had to carry out. But I'd expect it to take reasonable steps to consider income, expenditure – including other credit commitments – and how Mr W was managing other commitments.

Brent Shrine verified the income Mr W declared in his application. It then looked at his expenditure. Mr W's credit file showed that he had a number of other commitments, including:

- Three loans, with a total balance just over £10,000 and combined monthly payments of around £445.

- One hire purchase agreement with a balance of £3,700 and monthly payments of £284.

- Six cards and one mail order account. They had a combined credit limit of £12,210, of which £3,500 was being used. Four of the cards had no balance.

There were no missed payments, defaults or other matters of concern on Mr W's credit file. Factoring in payments to the cards, Brent Shrine used £878 as the figure for Mr W's existing credit commitments.

Brent Shrine didn't ask Mr W about his actual expenditure on day to day living. Instead it modelled expenditure based on typical expenditure for households similar to his, using data from the Office of National Statistics. This isn't unusual and I don't think it was an unreasonable approach for Brent Shrine to take. Mr W says that it wasn't appropriate in his case because he had higher than usual expenditure. But Brent Shrine wasn't aware of that, and couldn't take it into account. It was fair and reasonable for it to use typical daily living costs for the time of the application alongside Mr W's actual credit commitments.

Brent Shrine then calculated affordability based on income, credit commitments and other expenditure, plus a buffer for other expenses. This showed that the loan was affordable for Mr W. I think this was a reasonable decision based on the information Brent Shrine had at the time.

In addition, I don't think there was any evidence that ought to have led Brent Shrine to question whether the lending was affordable or sustainable for Mr W. His existing credit commitments were being well managed. And this lending was to consolidate other debts, which suggested those payments would reduce following this lending.

Taking everything into account, therefore, I don't think I can fairly find that Brent Shrine ought to have concluded that lending to Mr W wasn't responsible. I appreciate that, more recently, Mr W has experienced financial difficulty and I'm sorry to hear that. But I don't think that's something Brent Shrine ought to have foreseen at the time the loan was taken out.

Finally, I've considered whether the lending decision led to an unfair relationship between Mr W and Brent Shrine, taking into account the provisions of s140A of the Consumer Credit Act 1974. But for the same reasons, I'm not persuaded that it did.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 April 2025.

Simon Pugh
Ombudsman