

The complaint

Mr H has complained that Transave Credit Union Limited trading as Transave UK acted irresponsibly when it provided him with a series of loans between 2019 and 2023.

Background

Mr H is a member of Transave UK and applied for several loans with it between December 2019 and August 2023. During that time, he was approved for a total of 15 loans, some of which occurred consecutively. He has said that at the time he had a lot of additional debt, was subject to a County Court Judgement and that the credit union failed to run proper checks to ensure the lending was affordable for him. He has asked that the interest and charges applied to all 15 loans is refunded to him.

Transave has said that as a credit union it is prepared to offer lending to consumers who may not be able to access it anywhere else. It says that each time Mr H applied for a loan it ran the necessary checks to ensure it was appropriate and at times declined some applications made by Mr H. It also notes that when Mr H approached it in 2024 and said he was struggling to meet his repayments it agreed to freeze the interest on his outstanding loan and offered to set up a repayment plan for him to reduce his monthly repayment amounts. However, it doesn't think the lending decisions themselves were incorrect and didn't uphold his complaint.

Unhappy with Transave's response Mr H brought his complaint to our service. One of our investigators looked into it already. He found that the first five loans in the chain of borrowing were likely reasonable, but by the time Mr H applied for loan six, only eight months after he had applied for the first loan, there was a pattern of lending that should have alerted Transave to the fact Mr H was likely struggling to manage his finances effectively and was becoming over reliant on credit. So, he upheld the complaint from loan six and said Transave should refund all the interest and charges associated with loans six through to 15.

Mr H accepted the investigator's findings, but Transave didn't respond. Therefore, the complaint has been passed to me for consideration.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I agree with the findings set out by our investigator and an upholding the complaint from loan six onwards. For the sake of clarity I have set out my reasons below.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance, and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to

carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about the consumer at the time of application.

Mr H was approved for 15 loans in total between December 2019 and August 2023. The first five loans, all happened in quick succession between December 2019 and June 2020. They were for relatively small amounts, between £300 and £500 and had short terms of between two and three months. Each loan was repaid in full and on time with no instances of arrears or late payments.

At the time of application Transave says it accessed the information available on Mr H's credit file and also noted that he was actively using his credit union account to save money each month. So, it didn't think the loans were unaffordable or that it needed to acquire additional information before approving the applications. It's not provided any evidence of the checks completed in relation to these loans or indeed the later loans.

However, given the low value of the loans as well as the short terms involved, I agree that the basic information gathered by the business at this point was likely sufficient. And I also think the initial loans were affordable for Mr H and that there was no error on the part of Transave for providing them.

But these sorts of checks aren't the only thing businesses are required to consider when someone applies for credit. They are also required to also consider whether consumers are showing any indicators of financial vulnerability when assessing lending applications.

By the time Mr H applied for the sixth loan with Transave, in August 2020, he had already taken out five loans over an six month period, which was a potential indicator that he was becoming reliant on short term lending to meet his day to day living expenses. And although the loans were repaid in full, as soon as one loan was completed Mr H applied for a new loan.

So, I think this pattern should have given Transave pause for thought and I think it should have considered whether additional lending was appropriate for Mr H at this time.

The amounts Mr H was applying for also started to increase and by loan eight he had requested to borrow £1,000 over a six-month period. So, I think Transave should have done more thorough checks at this point to consider whether any additional lending was appropriate and genuinely affordable for him. Had it done so I don't think it would have approved loans six to ten, which were also approved in quick succession between August 2020 and April 2021. I also note that since January 2024 Transave has changed its policy so that it now requires a four-month gap between loan applications which implies it has also considered the risks involved for consumers in back-to-back lending applications.

Following loan ten, which was taken in April 2021, Mr H didn't request any further lending from Transave until August 2022, over a year later. The final five loans then all occurred between August 2022 and August 2023 and apart from the first loan which was for three months, the remaining loans all had terms of between 12, 24 and 36 months. So, the sorts of checks Transave should have completed ought to have reflected the fact that Mr H, who was now a habitual borrower, would need to be able to sustainably repay the loans over their full terms.

Transave has been unable to provide us with evidence to show all the information it gathered and the checks that were completed at the time of each of the final loans.

Looking at Mr H's credit file it does appear that by the time he applied for the final loans in 2022 and 2023 his overall indebtedness had increased, and his monthly credit repayments accounted for a significant portion of his disposable income. And these repayments were spread over a series of other forms of credit including unsecured loans, credit cards, mail order accounts, hire purchase agreements and car finance agreements. So again, it does appear that Mr H was showing signs of being reliant on credit and therefore I don't think Transave did enough to ensure that providing him with additional funds was appropriate.

All of which means I agree with our investigator and am upholding Mr H's complaint in relation to loans six through to fifteen as I think Mr H was showing clear signs of being overly reliant on credit and providing him with access to additional credit was inappropriate.

Putting things right

In order to put things right Transave Credit Union Limited trading as Transave UK should:

A. add together the total of the repayments made by Mr H towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything it has already refunded.

B. it should also calculate 8% simple interest* on the individual payments made by Mr H which were considered as part of "A", calculated from the date Mr H originally made the payments, to the date the complaint is settled.

C. it should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mr H as though they had been repayments of the principal on all outstanding loans. If this results in Mr H having made overpayments then Transave should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. It should then refund the amounts calculated in "A" and "B" and move to step "E".

D. If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Mr H. However, if there is still an outstanding balance then Transave should try to agree an affordable repayment plan with Mr H.

E. Finally Transave should remove any adverse information recorded on Mr H's credit file in relation to 11 – 15. The overall pattern of Mr H's borrowing for 6 – 10 means any information recorded about them is adverse, so Transave should remove these loans entirely from Mr H's credit file. It does not have to remove 6 – 10 from Mr H's credit file until these have been repaid, but it should still remove any adverse information recorded about these loans.

*HM Revenue & Customs requires Transave UK to deduct tax from this interest. Transave should give Mr H a certificate showing how much tax its deducted, if he asks for one.

My final decision

For the reasons set out above I'm partially upholding Mr H's complaint against Transave Credit Union Limited trading as Transave UK.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 March 2025.

Karen Hanlon
Ombudsman