

The complaint

Mr C complains that Salary Finance Limited was irresponsible in its lending to him and hasn't provided him with the service it should have while managing his loan.

What happened

Mr C was provided with a £5,500 loan by Salary Finance in April 2024. The loan term was 24 months, and the monthly repayments were around £298. Mr C initially raised a complaint about issues with his payments being taken. He then said that the interest rate on the loan was very high and that he felt he might have been lent to irresponsibly. Mr C says Salary Finance hasn't responded to the issues he has raised or provided a reasonable level of support.

Salary Finance issued a final response to Mr C dated 7 October 2024. It said that when assessing a loan application, it takes into account factors including information provided on the application form, existing credit commitments, other data held on file at the credit reference agencies, and any other information the customer has provided. It then uses the data to assess the suitability and affordability of a loan. After assessing Mr C's application, it shared with him an offer which contained the terms of the loan for Mr C to review. It noted his comment that he had queries that weren't answered but said it couldn't find evidence of correspondence it hadn't replied to. It didn't uphold Mr C's complaint.

Mr C referred his complaint to this service.

Our investigator noted that Mr C had logged other complaints with Salary Finance regarding service and set out what this investigation would cover. He said that regarding the alleged irresponsible lending, he thought the checks carried out before Salary Finance provided the loan were reasonable and proportionate. As these didn't suggest the lending to be unaffordable, he didn't think that Salary Finance was wrong to provide the loan.

Our investigator considered Mr C's comment about the high rate of interest. He noted that the pre-contract credit information and the credit agreement clearly stated the interest rate and the monthly payments due. Therefore, he thought that Mr C had been given the information he needed to make an informed decision and explained that had Mr C not been happy with the terms after entering into the agreement he had 14 days to withdraw.

In response to Mr C's complaint about poor service and issues with his payments he noted that Mr C contacted Salary Finance on 3 October 2024 about an error with the direct debit date on his account. He was advised to contact his bank to stop the payment which our investigator thought was the correct advice as, due to the timescale, Salary Finance would be unable to stop the direct debit from its end at that stage. The Salary Finance agent applied a hold to allow the payment date to update and raised a complaint for Mr C about the interest rate. Our investigator thought these actions were reasonable and said he hadn't identified any other queries that hadn't been responded to.

Based on his investigation, our investigator didn't uphold this complaint.

Mr C didn't accept our investigator's view. He didn't agree that Salary Finance had carried out reasonable checks before the loan was provided saying that his credit file at the time showed multiple outstanding credit commitments and a likely dependence on borrowing. He said that his income and expenses weren't verified and his existing credit commitments were understated. He thought that had accurate calculations been used his disposable income would have been found to be minimal if not negative. Regarding the rate of interest, he said that Salary Finance advertised loans with much lower rates of interest to that which he received. He said no explanation was provided as to why his interest rate was set at the level it was and why he couldn't receive the lower rate of interest. He said that the high interest rate deepened his financial difficulties.

In regard to the service issues raised, Mr C said that he sent several emails that went unanswered leaving him without the support he needed for his loan. He said on other occasions when he asked for help, he received inadequate responses which added to his financial stress.

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.

Mr C has raised a number of issues in his complaint. I have dealt with each of these below.

Irresponsible lending

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, and the total cost of the credit.

Before the loan was provided, Salary Finance gathered information about Mr C's employment and income, his residential status and the purpose of the loan. Mr C declared he was employed part time, and his base income was verified with the employer as being £12,834 and Mr C declared a further £3,000 additional income from employment. He said he was living with parents and the loan was for a car/vehicle. A credit check was undertaken which showed that he had no recent defaults, county court judgments or missed payments. He had outstanding balances on three credit card accounts which totalled £560.

Given the credit report didn't raise any concerns about how Mr C was managing his existing credit commitments or that he was over indebted, and noting his calculated disposable income, I think the checks carried out by Salary Finance before the loan was provided were reasonable and proportionate. However, just because I find the checks were reasonable, this doesn't necessarily mean I think the lending was responsible. To assess that I have looked through the information Salary Finance received to understand whether this should have raised concerns that the loan would be unaffordable for Mr C or there were other reasons why the lending shouldn't have been provided.

Mr C's annual income was verified with his employer as £12,834. Mr C also declared an additional £3,000 of income. This gave a calculated monthly net income of around £1,185. Mr C's credit commitments were identified as outstanding balances on three credit cards totalling £560. Using repayments amount of 5% would give monthly repayments of around

£28. Adding the Salary Finance repayments of around £298 would give total credit commitments of around £326 a month which I do not find should have raised concerns. This will have left Mr C with around £859 to cover his other monthly costs. I note he had said he was living with parents and taking this into account alongside the other information, I do not find that Salary Finance was wrong to consider this loan affordable for Mr C or that there were any other reasons why the loan shouldn't have been provided.

I've also considered whether Salary Finance acted unfairly or unreasonably in some other way given what Mr C complained about, including whether its relationship with Mr C might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Salary Finance lent irresponsibly to Mr C or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Interest rate

I note Mr C's comment about the interest rate and that Salary Finance advertise loans with lower rates of interest, but the interest charged on a loan will be a commercial decision for Salary Finance. The information Mr C was provided with at the time the loan was offered in the pre-contract credit information and the credit agreement clearly set out the rate of interest that would be charged. It also explained the payments that were needed and total amount repayable. Therefore, I find that Mr C was provided with the information he needed about the rate of interest he was to be charged and he could make an informed decision as to whether he accepted this. Had he decided after entering into the agreement that he no longer wanted the loan, he could have exercised his right to withdraw.

So, while I understand the point Mr C has raised, I do not find I can uphold this part of his complaint.

Service issues

I note Mr C's comment about the service he has been provided with and I am sorry that he feels he hasn't been given the support he should have been. I have looked through his account notes and can see that he contacted Salary Finance in October 2024, about an issue with his direct debit payment and he was provided with advice as to how this needed to be dealt with. The option of making reduced payments was also discussed but Mr C said he didn't want to do this at that time. Considering the issues Mr C raised I think he was provided with a reasonable response and the offer of support. Mr C also noted the interest rate being charged with Salary Finance and this was raised as a complaint.

So, while I appreciate the additional information that Mr C has provided, based on the evidence I have seen I think Salary Finance did assist him with the issue with his payments and offered support in regard to his concerns.

My final decision

My final decision is that I do not uphold this complaint.

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

Jane Archer
Ombudsman