

## **The complaint**

Mrs W is complaining that Brent Shrine Credit Union Limited trading as My Community Bank (MCB) lent to her irresponsibly by providing her with a personal loan.

## **What happened**

In August 2022, Mrs W applied for a loan with MCB. They approved her application and lent her £5,000 over a three-year term. The loan required Mr W to make 35 monthly repayments of around £204, followed by a final payment to clear the balance.

Mrs W complained to MCB in October 2024, saying they shouldn't have given her the loan as it was unaffordable. She said her credit rating was poor at the time of her application and the repayments needed made her unable to afford her rent. She said MCB should have done more checks before lending to her.

MCB responded, saying Mrs W had applied for a loan for a one-off purchase. They said they'd carried out appropriate checks before lending to Mrs W. They also said they'd reviewed Mrs W's credit file and used credit reference agency (CRA) data to verify her stated income of £100,000, CRA data to assess his credit commitments, and Office for National Statistics (ONS) data to estimate his expenditure. MCB were satisfied that Mrs W met their lending criteria from both a creditworthiness and affordability perspective and so didn't uphold her complaint.

Mrs W wasn't happy with MCB's response, so she brought her complaint to our service. She said MCB had lent to her when no bank would and she was in a debt spiral, constantly taking out more debt to make repayments to existing creditors. One of our investigators looked into Mrs W's complaint but didn't uphold it – they thought MCB had carried out enough checks before lending to Mrs W and had made a fair lending decision based on the results of those checks.

Mrs W remained unhappy and asked for an ombudsman to look into her complaint. In doing so, she questioned why our investigator hadn't reviewed her bank statements and therefore hadn't seen a true reflection of her financial position at the time of the lending. Our investigator said there was no requirement for MCB to review her bank statements and reiterated that they thought MCB had done enough to check the loan ought to be affordable. Mrs W continued to disagree, and the complaint's come to me for a decision.

## **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.

Mrs W's loan agreement with MCB is an exempt agreement, and therefore isn't subject to the Financial Conduct Authority's (FCA's) usual consumer credit regulations set out in the Consumer Credit Sourcebook, CONC. But it is subject to the provisions set out in the FCA's Credit Unions Sourcebook (CREDS).

Chapter 7 of CREDS says a credit union must maintain and implement a prudent and appropriate lending policy and that this should consider the handling of applications for lending. And it says it seeks to protect the interests of credit unions' members in respect of loans to members.

Taking all this together, it's clear the FCA recommends that a credit union's lending policy needs to protect members' interests. This suggests the credit union needs to check whether a loan would be sustainably affordable for an applicant as well as the creditworthiness of that applicant – as the members' interests wouldn't be protected if the applicant later defaulted on their loan. In addition, MCB's website says: "*we only lend what you can afford to pay back*" and their final response letter to Mrs W says they are required to carry out a creditworthiness assessment and an affordability assessment to ensure the loan is affordable.

So, in summary, it's reasonable to assume that before providing this loan MCB needed to consider Mrs W's financial circumstances and the affordability of the loan for her.

#### *Did MCB carry out reasonable checks?*

Before lending to Mrs W, MCB:

- Obtained Mrs W's income from her application and verified it using an automated CRA tool;
- Carried out a credit check, and used information from the credit report to assess Mrs W's monthly credit commitments;
- Used ONS data to estimate her non-discretionary spending;
- Used all of these figures to carry out an affordability assessment and determine that the monthly repayments would be affordable for Mrs W.

I'm satisfied that these checks were thorough enough to give MCB a good understanding of Mrs W's financial circumstances at the time of his application, and of the affordability of the loan for her. Whilst I appreciate MCB used statistical rather than personal data to estimate Mrs W's non-discretionary expenditure, I haven't seen anything to suggest that wasn't reasonable in the circumstances. Excluding her mortgage, Mrs W had debts of around £86,000 which, while high, wasn't overly so in the context of her annual income of £100,000 and was within MCB's threshold of 90% for this ratio. In addition, Mrs W's credit file contained no adverse information or indicators of financial difficulties – she'd been making her payments on time against all her active debts.

#### *Did MCB make a fair lending decision?*

Having decided that MCB carried out enough checks, I have to consider whether their decision to lend to Mrs W was fair.

Looking at the credit file MCB reviewed, I haven't seen anything to suggest MCB shouldn't have lent to Mrs W. She had a lot of debt, including a mortgage and a hire purchase agreement, but her unsecured debts were around 50% of her annual income, and all well-managed. So I can't say MCB should have decided Mrs W was already overly indebted.

MCB explained that when making lending decisions, they calculate a maximum monthly instalment. They do this by deducting a customer's credit commitments, housing costs, and expenditure from their net monthly income, and then deducting a buffer of between £50 and £200.

MCB haven't been clear on what net monthly income figure they used for Mrs W. But, based on an annual income of £100,000, I'm satisfied MCB could have fairly decided her net monthly income would have been around £5,500.

MCB have told us that they calculated Mrs W's monthly credit commitments (excluding her mortgage), as around £2,050 and estimated her other non-discretionary expenditure as £803 per month. And they assumed she covered half of the mortgage and included around £830 in their affordability assessment for this. Deducting these expenses from her £5,500 monthly income would have left her with over £1,800 per month in disposable income from which to make the repayments on this loan.

Looking at Mrs W's credit file, I'm satisfied MCB's calculation of Mrs W's credit commitments was fair. And their estimate of non-discretionary spending appears reasonable. I've seen no evidence that Mrs W's mortgage was joint or that she'd told MCB she shared the cost. But, if MCB had included the full cost of the mortgage in their affordability assessment, they'd have estimated she'd have disposable income of nearly £1,000 per month – giving her nearly £800 per month after making the repayments against this loan. So, even if MCB shouldn't have halved Mrs W's monthly mortgage payment, I'm satisfied they'd still have been able to fairly decide to lend to Mrs W.

Mrs W commented that our investigator didn't review her bank statements. And I haven't done either. That's because I'm satisfied MCB carried out enough checks without asking Mrs W for full details of her income and expenditure – the information they did have suggested Mrs W wouldn't struggle to make the necessary repayments.

*Did MCB treat Mrs W unfairly in any other way?*

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974 (Section 140A). However, for the reasons I've already given, I don't think MCB lent irresponsibly to Mrs W or otherwise treated her 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.

### **My final decision**

As I've explained above, I'm not upholding Mrs W's complaint about Brent Shrine Credit Union trading as My Community Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 16 September 2025.

Clare King  
**Ombudsman**