

The complaint

Mr H says Salary Finance Limited irresponsibly lent to him.

What happened

Mr H took out a loan from Salary Finance on 26 May 2024 for £10,000 over 24 months. The monthly repayment was £541 and the total repayable was £13,028.52.

Mr H says the lender's checks were not adequate. He was gambling frequently and having financial difficulties and had Salary Finance carried out better checks it would have known this.

Salary Finance says its checks were appropriate and showed the loan would be affordable for Mr H.

Our investigator did not uphold Mr H's complaint. She agreed that the checks were proportionate and showed Mr H could sustainably make the repayments. In addition the loan was for debt consolidation.

Mr H disagreed and asked for an ombudsman's review. He said the outcome of another complaint he brought to this service accepted he went on to have financial difficulties, so Salary Finance should have recognised this.

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.

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 Mr H's complaint.

Having carefully considered everything, I've decided not to uphold Mr H's complaint. I'll explain why in a little more detail.

Salary Finance needed to make sure that it didn't lend irresponsibly. In practice, what this means is Salary Finance needed to carry out proportionate checks to be able to understand whether Mr H could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

I can see Salary Finance reviewed certain information prior to making its lending decision. It had access to Mr H's salary information due to the nature of its business. It estimated his housing and living costs using national statistics (ONS). It carried out a credit check to understand his credit commitments and repayment history. It asked about the purpose of the loan which was debt consolidation. From these checks combined Salary Finance learnt Mr H would have £4,199.01 monthly disposable income after taking on this loan and so concluded it was affordable.

I think these checks were proportionate given the term of the loan, his income, the value of the monthly repayments relative to Mr H's income and the initial results they returned. And I think Salary Finance made a fair lending decision based on the information it gathered. I'll explain why.

Salary Finance knew Mr H's net monthly income was £6,769.85; his housing and living costs based ONS data were £764 and the credit check showed he had commitments of £1,265.84. So he had ample disposable income. It did not appear from the credit check that he was over indebted, spending less than 20% of his income on repayments. And the intention was for Mr H to clear a significant proportion of his existing commitments with the proceeds of this loan. Salary Finance has confirmed the credit check showed Mr H had no recent arrears, no CCJs, no defaults recorded in the last 36 months and no payment plans in place. So I cannot see there was any reason that Salary Finance needed to be concerned, or carry out any further checks before lending.

In addition, Mr H said he was taking out the loan to consolidate existing debts. I accept Mr H may not have cleared his existing balances with this loan. But Salary Finance could only make a reasonable decision based on the information it had available at the time. In my view, all Salary Finance could do was take reasonable steps to ensure the payments would be affordable for Mr H. And as Mr H didn't have a history of applying for loans with Salary Finance for consolidation purposes and then returning for further funds after having failing to consolidate as he said he would, I think Salary Finance was reasonably entitled to believe the funds would be used for the stated purpose. If he consolidated his debts like he said he would do, Mr H could actually have been left in a better financial position.

It follows I do not think Salary Finance was wrong to lend to Mr H.

Mr H says that he had financial difficulties at the time of this loan but these were not evident from the checks Salary Finance carried out. Similarly he said his gambling was problematic. I don't doubt his testimony but I do not find it would have been proportionate for Salary Finance to carry out the depth of checks needed to possibly discover this. I am sorry to hear Mr H has struggled in these ways, I hope he now has the support he needs. If not, he could contact Step Change on 0800 138 1111 or National Debtline on 0808 808 4000 for advice about financial difficulties. And if gambling is still problematic for him he could contact GamCare on 0808 802 0133.

If Mr H still has an outstanding balance on his loan, I would urge him to contact Salary Finance to discuss an affordable repayment plan. I would remind Salary Finance of its obligation to treat Mr H fairly, and with forbearance.

Finally, I've also considered whether the relationship might have been unfair 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 H 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.

My final decision

I am not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 April 2025.

Rebecca Connelley
Ombudsman