

The complaint

Miss S complains that East End Fair Finance Limited trading as Fair Finance lent to her when she could not afford to repay it.

What happened

Fair Finance is a community benefit society which is an organisation whose primary purpose is to benefit the wider community, rather than their members, with profits reinvested into the community. It has to be registered under the relevant legislation and is regulated by the Financial Conduct Authority (FCA).

In February 2024 Miss S applied to Fair Finance for a £550 loan over six months and said in the application that she could afford up to £100 a month on repaying the loan. In fact, Miss S, took one loan in February 2024 for £500 (which had a fee deducted from it) and when combined with the interest to pay meant that the total to repay was £910.68. The repayments were scheduled to be £73.39 each month for 12 months. Miss S got into arrears. She's in a repayment plan. Recently I received the up to date copy of the statement of loan account. I refer to that later in the redress part of the decision.

After Miss S had complained in August 2024, she received an acknowledgement from Fair Finance. Miss S referred it to the Financial Ombudsman and soon afterwards the final response letter was received in December 2024. One of our investigators considered that the information Fair Finance had obtained demonstrated that her outgoings exceeded her income and she was already behind on some payments towards existing credit. So, our investigator thought that Fair Finance had to put things right for Miss S.

Fair Finance disagreed and has raised some specific points surrounding Miss S' family status, and what she had told it on the application form. The unresolved complaint was passed to me to decide.

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 irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Miss S' complaint.

Fair Finance needed to make sure that it didn't lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss S before providing it.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggesting the lender needed to know more about a prospective borrower's ability to repay.

Miss S declared an income which was reduced after Fair Finance had carried out its checks. So, the income figure on which it based its assessment to see if Miss S could afford to repay the loan was £1,465 (rounded) which was a regular child maintenance payment of £150 a month and a Department of Work and Pensions Universal Credit (DWP UC) payment of £1,315 (rounded) each month. This was verified as Fair Finance had gained viewing access to Miss S' bank account and had seen these sums crediting her account regularly.

Miss S had declared that her regular expenditure was £750 a month. This did not include her credit commitment payments.

Having viewed Miss S' bank transactions using open banking before lending Fair Finance increased this figure using the information it had seen. It used Office of National Statistics (ONS) data as well to benchmark the sorts of sums Miss S likely was having to pay.

Fair Finance had obtained Miss S' credit report and I have been sent a copy.

All this led Fair Finance to calculate that Miss S was likely to have around £185 a month left over after paying all she needed to pay.

Fair Finance had calculated that without the loan Miss S' debt to income ratio was around 22% and with it the debt to income ratio increased slightly to just under 27%. I accept that this is not so high as to refuse a loan but it may not mean that its affordable.

I have reviewed the credit file research provided by Fair Finance. Miss S' overall debt in February 2024 was £6,937 of which £2,462 were loans and £2,054 was debt on revolving credit (store or credit card type accounts). The balance of £2,421 – debt otherwise unclassified - may have been an overdraft and the record does indicate that some of that was on an overdraft for one of the current accounts Miss S held. As well as other accounts on which there were no adverse markings, the accounts Miss S had were as follows:

- Delinquent telecoms account
- Credit union loan started December 2023 costing £155 a month
- £9 and £13 over the limit on two credit cards and with repayment issues
- In arrears on two credit cards, one of which was at stage 3
- Up to the limit on her overdraft of £1,030 on one current account and the balance had been like that for several months or exceeded it.
- Arrears on a mail order account
- In arrears on an unsecured loan which had started in March 2020.

I would have expected Fair Finance to have investigated further having seen this, and it did.

Having seen that two credit cards had payment issues on them Fair Finance has said it contacted Miss S to ask about them. Miss S had said that one was due to have some payments made to it and the other had already been paid off, and so Fair Finance was satisfied with that up-to date information. But in doing that Fair Finance had picked up that Miss S had not been able to afford the minimum repayment on one of those cards. And so, it knew that in the relatively recent past she had not been able to afford a card.

Fair Finance also obtained access to one of Miss S' bank accounts with open banking. I have seen from the credit report that Miss S had more than one account and Fair Finance would have seen this as well. It's FRL says that it looked at the transactions on Miss S' on-line bank account.

The open banking report sent to me by Fair Finance has been analysed by it and the transactions 'labelled' in such a way that I did not fully understand it. Therefore, to aid my understanding as to what Fair Finance would have seen, I asked Miss S to send to me copies of all of the accounts she had for the period leading up to the 20 February 2024 loan

approval. I did this because the open banking report from Fair Finance was not clear enough for me to really see what was going on.

Having reviewed the on-line bank account Miss S had, plus the attached savings accounts or 'pots' together with her high street bank account statements for the periods December 2023 to February 2024, I've come to some conclusions. These are set out in the following paragraphs.

One conclusion is that Miss S moved money around a lot. And so, I am satisfied that Miss S did not have additional funds elsewhere – it was the same money being moved around. I note that this has been an issue raised by Fair Finance and my view is that if – having seen the transfers out of the account it was viewing – it had then asked to see the transactions for that other account it would have got a more complete picture. But it did not. And so, I consider that to have been an omission.

Another fact I am satisfied about is that Miss S' regular income was £1,315 from DWP UC and £150 from an individual for child maintenance. Miss S has sent documents to confirm this. Miss S has said she received child benefit as well which I cannot see crediting her account. So, I have not included it. Fair Finance has told us it used her income as being these two items as well adding up to just under £1,465 a month. So now when Fair Finance suggests in its submissions that it was under the impression Miss S was on UC and also had a salary, I don't accept that. Its FRL said that it knew she was unemployed. And the account transactions it did view shows that she received DWP UC.

I have noted that Miss S received a Cost of Living payment from the government in February 2024 of £299 but I have not counted that as income. This was a series of payments made to qualifying individuals, and in my view could not be treated as regular income.

I can see from her statements that Miss S was buying and selling items on-line and so sometimes received additional money from those sources. Fair Finance did not include it in her income figure as it would not be classified as regular income. And I agree with that approach and so I have not included any of those sums.

Having reviewed all her accounts for December 2023, January and February 2024, Miss S' regular outgoings included:

- payments to the City Council of £412 each month which I consider likely to have been rent, plus £21 a month to that same City Council which looks to have been linked;
- Utilities including water of around £99 a month in total;
- Three debt collection payments adding up to £80 each month for all three;
- Insurance, internet, mobile, film streaming service, and premium delivery service and DVLA all adding up to £271 each month;
- Various credit cards and mail order accounts which, using the credit search figure of around £2,054 total balance, meant she was required to pay a minimum payment of around £65 which fits with the sums I can see Miss S paying out;
- Loans that were costing around £125 each month – oddly, I was unable to see the credit union loan repayment of £155 but the credit report Fair Finance obtained shows that was 'live'. And so, her loan liability could have been £275 a month.
- Miss S took a £600 loan with a company she was already using on 17 January 2024 and then paid it £400 but after that continued to pay that same company around £20.

All this added up to £1,093 each month (and may have been more if I include the £155 to the credit union). With a total regular income of £1,465 (DWP plus £150 maintenance payments) Miss S would have had around £372 left over. However, the outgoings I have been careful to

identify would not have included food or the regular overdraft interest/charges she was paying on one of her accounts.

Miss S appeared to have been paying for a car as well and I have seen that Fair Finance had noticed that she had car costs. The £372 left over had to have covered the car, and food and the interest overdraft and charges and likely the additional £155 a month to the credit union loan.

Fair Finance would have known she'd just taken a credit union loan in December 2023 and would have seen from the bank account it had access to through open banking that Miss S had just taken a loan from another company on 17 January 2024 and was now needing more from Fair Finance a month later. So, this would have highlighted that she was regularly in need of more funds to cope.

Although the repayments at around £73 a month to Fair Finance may look as though she'd be able to afford those instalments from the £372 left to her, I do not think so. Miss S had the additional costs I have referred to earlier in this decision plus a family to feed and this sum to cover all those items would not be considered sustainable for a 12 month loan term in my view.

These details plus the overall state of Miss S' credit file records – known by Fair Finance – leads me to conclude that the loan ought not to have been approved for Miss S.

Our investigator considered that the information Fair Finance had obtained demonstrated that her outgoings exceeded her income and she was already behind on some payments towards existing credit. And I agree with that assessment.

I have reviewed Fair Finance's submissions following our investigator's view. One part says that Miss S did not tell it she had a family. But had it chosen to look into her expenditure fully it would have discovered that. Fair Finance has told us that it spoke to Miss S at one point.

Fair Finance has said: *'You have stated that her expenditure was consistently greater than her income. However, when you analyse her expenditure, you will see transfers to her other accounts. When you review her income, you will see income streams from various sources.'*

I repeat what I've said earlier which is that had Fair Finance checked fully then it ought to have identified where these transfers were going to and coming from. As I have pointed out as I obtained both sets of her accounts plus the ones linked as 'pots' or savings accounts, I have seen it's the same money being moved around.

And Fair Finance itself has told us that it did not include the other income streams when assessing Miss S for the loan. So I don't consider it fair that it tries to persuade me that these ought to be included now.

Fair Finance has made reference to her being married and that it assumed her husband would support her which was a factor in its assessment. I do not consider that to have been a proportionate check – that being married automatically leads it to consider that Miss S had some sort of financial cushion. So, I reject that line of argument as well.

I uphold the complaint.

Putting things right

I asked Fair Finance to provide me with an up-to-date summary of the account and it has done recently. Miss S has been paying £20 a month for several months, most recently on 6 September 2025. Miss S still owes £293.73.

Fair Finance should add up the total repayments Miss S has made and deduct these from the total amount of money she received.

a) If this results in Miss S having paid more than she received, any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were

made until the date of settlement). Fair Finance should also remove all adverse information regarding this account from her credit file.

b) If any capital balance remains outstanding, then Fair Finance should arrange an affordable and suitable payment plan (or retain the one in place now) with Miss S. Once she has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*HM Revenue & Customs usually requires Fair Finance to take off tax from this interest. It must give her a certificate showing how much tax it's taken off if she asks for one.

I've considered whether the relationship between Miss S and Fair Finance might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Miss S results in fair compensation for her in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I uphold the complaint and I direct that East End Fair Finance Limited trading as Fair Finance does as I have outlined in the 'putting things right' part of the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 22 October 2025.

Rachael Williams
Ombudsman