

The complaint

Miss A 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 January 2024, Miss A applied for a loan with MCB. They lent her £1,500 over a two-year term. The loan required Miss A to make 23 monthly repayments of around £86, followed by a final payment to clear the balance.

Miss A complained to MCB in November 2024, saying they shouldn't have given her the loan as it was unaffordable. When she did so, she said she already had multiple loans and credit cards with other creditors and if MCB had carried out proper affordability checks they wouldn't have lent to her.

MCB responded, saying they had carried out appropriate checks before lending to Miss A. They said they'd reviewed Miss A's credit file and used credit reference agency (CRA) data to verify her income. They said they'd used data from the Office for National Statistics (ONS) to estimate Miss A's general expenditure and calculated her credit commitments from her credit file. They said they'd also used an automated assessment from the CRA which considered a customer's existing indebtedness and whether additional lending might cause harm. MCB said they were satisfied that Miss A's loan wasn't issued irresponsibly, and they didn't uphold her complaint.

Miss A wasn't happy with MCB's response, so she brought her complaint to our service. One of our investigators looked into the complaint but didn't uphold it. In summary, her view was that MCB had done enough checks and made a fair lending decision. Miss A remained unhappy and asked for an ombudsman's decision. In doing so, Miss A said her debts at the time she took out the loan were higher than MCB had reported. She noted that MCB had obtained data from one CRA and said she thought they should have obtained data from all of them to ensure they had a full picture of her existing debt.

Miss A also said her income was very variable, including significant amounts of overtime. So she thought if MCB had properly verified her income, they'd have found it was lower than the figure they'd used in their affordability assessment, and this would have shown the repayments under the new agreement were unaffordable.

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.

Having done so, I'm not upholding Miss A's complaint for broadly the same reasons as our investigator. I'll explain more below.

What's required of lenders?

Although Miss A's loan agreement with MCB is an exempt agreement, and therefore not subject to all the usual consumer credit regulations, MCB is subject to the provisions set out in the Financial Conduct Authority's (FCA) 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.

It's therefore reasonable to assume that before providing a loan a credit union needs to consider things such as the cost of the lending as well as the amount, how long the customer will need to make repayments for and the potential consequences of not meeting the repayments. With the above in mind, they'll then need to consider the customer's circumstances. I'd usually expect to see some or all of the following: credit checks, income verification, consideration of income and expenditure.

Did MCB carry out reasonable checks?

MCB ran automated checks which looked at Miss A's data from her application and from CRAs. They verified her annual income as being at least £43,000, and they found no concerning information on her credit file. MCB also estimated Miss A's disposable income – they said her credit commitments were calculated automatically from Miss A's credit file, and her other expenditure was estimated using data from the Office for National Statistics.

Whether or not these checks were proportionate depends on factors such as the size and term of the loan, and on what MCB found. The loan required Miss A to pay back around £2,100 over two years, at a rate of £86 per month. So it was a relatively small proportion of Miss A's income and a relatively short term.

The credit report MCB sent us only shows Miss A's active accounts at the time of the lending decision. It shows Miss A was keeping up with her payments and was well within the credit limit on all of her accounts. And it shows she had credit card debts totalling around £27,650 together with other debts totalling around £5,100, most of which was for insurance. On the face of it, the credit file suggests that although Miss A was quite heavily indebted, she wasn't in financial difficulties at the time she applied for the loan.

Miss A's also sent us her own credit report. I can't say MCB ought to have obtained data from more than one CRA. They're entitled to assume that any individual CRA will give a reasonably accurate summary of a consumer's credit history. But because the data MCB sent only shows Miss A's active accounts, I've reviewed Miss A's credit report to see whether MCB ought to have been aware of any adverse information on any of Miss A's closed accounts. The only adverse information it shows is a missed payment on one credit card three months before MCB's lending decision. This was made up and the account was closed, so I can't say this missed payment ought to have caused MCB particular concern.

Miss A's said that MCB should have carried out more detailed checks of her income. But I don't agree. Miss A told them she earned £43,000 per year. And MCB didn't simply accept

this figure, they verified it using an automated check which is widely used by lenders in the United Kingdom. So I can't say they should have done more to verify Miss A's income.

Miss A also thinks MCB should have found out about her actual expenditure rather than relying on statistical data. But in the circumstances, I don't think this was necessary. Although she had quite high levels of debt, these were within MCB's thresholds. And once Miss A's rent and credit commitments (including repayments for this new loan) were deducted from her net income, she had over £900 per month to cover her living expenses. The statistical data suggested she needed around £660 of this. I haven't seen anything in the details MCB obtained that suggests Miss A's non-discretionary expenditure would be significantly higher than the statistical data.

On balance, I think MCB did carry out enough checks. Although they were automated, this doesn't make them insufficient. MCB checked Miss A's income, reviewed her credit file, and estimated her disposable income, finding no adverse information.

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 Miss A was fair.

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 told us what net monthly income figure they used for Miss A. So I've used an online tax calculator which suggests that having verified Miss A's annual income as £43,000, MCB would have been able to assume her net monthly income was around £2,820. MCB also haven't explained how they calculated Miss A's credit commitments. But, given the balances they saw on Miss A's credit file, I'm satisfied the figure they used was reasonable.

MCB have told us that they estimated Miss A's rent as £450, her credit commitments at around £1,343, and her other living costs as around £661. This would leave Miss A with £346 of disposable income from which to make the £86 per month payments due under this loan agreement. This leaves a buffer of around £250 – well above MCB's policy that the buffer should be between £50 and £200. I'm satisfied MCB acted fairly in deciding this was enough and that the loan was affordable for Miss A.

Have CCB treated Miss A 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 CCB lent irresponsibly to Miss A 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 Miss A's complaint about North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 6 August 2025.

Clare King
Ombudsman