

## The complaint

Mr Z complains that East End Fair Finance Limited trading as Fair Finance lent to him when he could not afford to repay it.

Mr Z says that he's suffered stress and distress due to relentless and ongoing communications from Fair Finance about the debt. Plus, the default imposed has severely damaged his credit score and has caused further ongoing financial difficulties.

## 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). Mr Z took two loans.

Loan	Approved	Amount	Terms	Status
1	30 March 2021	£300	6 x £65.78	Settled 28 July 2021
2	28 July 2021	£600	15 x £72.79	Balance remained

Loan 1 was settled on 28 July 2021 with funds from Loan 2.

For Loan 2, since February 2022 Mr Z has been in a debt management plan paying between £13 and £14 a month towards the debt. The account was defaulted in April 2022. A balance is still outstanding.

After Mr Z had complained in August 2024, he received an acknowledgement from Fair Finance. Mr Z referred it to the Financial Ombudsman. One of our investigators considered that the information Fair Finance had obtained demonstrated that his outgoings exceeded his income. So, our investigator thought that Fair Finance had to put things right for Mr Z for both loans.

Fair Finance disagreed. It pointed out that Mr Z's take home pay was between £3,000 and £3,800 a month. It said:

*'Considering that the loans were small, his net salary well above the normal range, and that considerable sums were being transferred out of his current into accounts he held in his name then for these reasons I disagree with your decision.'*

The unresolved complaint was passed to me to decide. On 10 October 2025 I issued a provisional decision giving reasons why I upheld Mr Z's complaint in part. This is duplicated here for ease of reading.

### What I decided on 10 October 2025 and why

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 Mr Z'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 Mr Z 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.

### **Loan 1**

In March 2021 Mr Z told Fair Finance that he earned £2,900 each month, he got £200 a month from benefits, he had total expenditure of £1,145 a month and his monthly repayments for credit were £260 on other loans.

Fair Finance obtained a credit report which I have seen. It showed that Mr Z had £1,212 total debt balances which I think was a low overall balance and I consider Fair Finance would have held the same view. He did have poor repayment history on older accounts.

He had a defaulted account from October 2018 and the overall default debt balance for that account had reduced. Defaulted accounts dated from August 2016 and September 2016. The more recent accounts were satisfactory in relation to repayments.

However, the defaulted accounts were several years before Mr Z applied to Fair Finance for his first loan and so I do not consider that it would have been alerted to a concern such that additional checks ought to have been carried out. And because the more recent credit history was satisfactory for repayments and the overall debt balance was low then I don't consider that Fair Finance needed to do more.

It did carry out a check of his bank transactions through Open Banking for two of Mr Z's bank accounts. And I have reviewed those transaction lists. These showed that he did receive the sort of income he'd declared each month after tax and that he transferred money between the accounts regularly. There's evidence of Mr Z taking other loans and there were some returned Direct Debits in mid-March 2021. But Mr Z's overall debt balance was low and there's nothing else in those banking transactions which would lead me to think that either Mr Z could not afford the monthly repayments for six months or that Fair Finance ought to have done more before lending. £66 each month is not a high figure.

This was Mr Z's first loan with Fair Finance, it was for a modest sum and placing it in context I consider that Fair Finance carried out proportionate checks and lent responsibly. I plan not to uphold the complaint about Loan 1. Loan 1 was paid off by funds from Loan 2.

### **Loan 2**

In July 2021 Mr Z said to Fair Finance that his monthly income from employment was £2,960, he was living with his partner and had three dependents. He was applying for a £600 loan.

Mr Z said his total expenditures were £1,172 and his total monthly repayments for existing credit was £822.71 a month.

Fair Finance obtained a credit file report and that showed his overall debt balance had increased to around £6,800. And he'd opened 11 accounts in the previous six months of which one would have been the first Fair Finance loan.

Fair Finance obtained a view of two of Mr Z's accounts through Open Banking and increased his general expenditure outgoings figure and his credit costs figure.

Because Fair Finance had a view that Mr Z was transferring money away and therefore implying that he had savings elsewhere, I asked Mr Z to send to me any copies of any additional bank account statements he may have had. Mr Z has sent to me copies for the two on-line banks with which he has accounts.

Having reviewed the ones for the period leading up to Loan 2 they show a modest amount in them and the movement of funds or transactions paid for are very modest and add little to the overall picture. I reject Fair Finance's contention that Mr Z was '*squirrelling money away*'.

Having asked for a lot of information from Mr Z it's clear that he was transferring money between accounts but it was the same money being moved around. He had no additional savings or extra money elsewhere.

But Mr Z's accounts – even the ones that Fair Finance had seen through open banking (two accounts) show that he was taking several loans with other lenders, close together, and using

it to get through the month and using one to pay off the next. And so, on the information Fair Finance already held, and having satisfied myself that Mr Z was not moving savings into another account somewhere, then I do consider that Mr Z was borrowing to repay debt and was not managing his finances well. I plan to uphold the complaint about Loan 2.

### **Points not covered in our investigator's view**

Mr Z has said he got no help from Fair Finance when he had difficulties repaying, but I have seen that as soon as he got into financial trouble he had the benefit of a debt administrator which liaised with Fair Finance about a formal debt management plan and arranged it all. Fair Finance agreed to the low repayment sums. So, I consider that it assisted Mr Z when it was approached on his behalf for help.

The default was imposed in April 2022. Mr Z has said that the default Fair Finance imposed on this account in April 2022 affected his credit file. So, Mr Z seems to be saying that the default ought never to have been applied.

Mr Z has also said that he was subjected to 'relentless calls, messages and emails' chasing the debt adding to his stress.

To assess this element of Mr Z's complaint I asked Fair Finance to send to me all records, notes, correspondence, and messages. It has done. I have reviewed it all including the account notes. These show that he was telephoned several times but he never answered the calls. And I have seen records from Fair Finance which show that it was sending him text messages from December 2021 to ask him to make the repayments. There was nothing unusual about that and once the debt management plan was in place in February 2022 these stopped. I don't consider this to have been excessive.

The correspondence to Mr Z about the debt, the arrears, the Notice of Default and other matters were correctly sent and so I do not consider that Mr Z was treated unfairly in relation to the default. From the evidence I have seen the default was correctly imposed after a period of late or low or no payments and little or no engagement. And so, as it was correctly applied then I cannot look to blame any party for the fact that the default then had a deleterious effect on Mr Z's credit file which is one of Mr Z's complaint points.

I asked Mr Z to send to me a full credit file as I needed to assess whether in fact this default from April 2022 had somehow affected his finances more than I'd expect. Mr Z's full credit file does explain as to why he was not able to continue to pay for Loan 2 as he took a hire purchase agreement on 5 August 2021 the commitment being 60 payments at £389 a month. He simply could not afford either Loan 2 or the HP agreement and then got into difficulties. But I have not seen that the default for Loan 2 has done more than any default likely does when imposed. I plan not to uphold Mr Z's complaints surrounding whether or not Fair Finance treated him poorly or fairly and I consider that the default was correctly imposed.

This is the end of the duplicated provisional decision (apart from the redress section).

### **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.

The reply date for the parties to respond was Friday 24 October 2025. Fair Finance has not replied. Mr Z has said:

*I confirm that I've read the Ombudsman's provisional decision dated 10 October 2025 regarding my complaint. ... I agree with the findings and accept the provisional decision in full. Thank you for reviewing my case and for the fair outcome.*

In the circumstances, I have no reason to depart from the partial uphold outcome I reached in my provisional decision. For the same reasons I uphold the complaint about Loan 2. And I consider that Fair Finance must put things right for Mr Z for that loan as I have set out below – including removal of the default.

## **Putting things right**

Fair Finance needs to put things right but Mr Z had the benefit of the capital sum of £600 and needed to repay that.

In my provisional decision, I used the SOA sent to me which showed that payments to Loan 2 ended in July 2024 and that Mr Z had paid the £24 fee plus more than the capital sum of £600 already. On current figures it seems that Mr Z is due a refund. I invited Fair Finance to respond to the provisional decision to correct me if I was wrong. But as I have not heard from it then I am proceeding on this basis.

Fair Finance needs to add up all that Mr Z has paid towards Loan 2, the interest and the fee, and deduct it from the capital sum owed of £600. And if there's an excess it needs to add 8% per annum simple interest (less tax) calculated from the dates each payment were made to the date of settlement of this complaint, and pay that to Mr Z.

All adverse information surrounding the repayments of Loan 2 needs to be removed from Mr Z's credit file. This will include removal of the default now this part is upheld.

\*HM revenue and Customs usually expects Fair Finance to remove tax from this interest figure. It must give Mr Z a certificate showing the tax deduction made if he asks for one.

I've considered whether the relationship between Mr Z and Fair Finance might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr Z results in fair compensation for him in the circumstances of his 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 I uphold the complaint in part and 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 Mr Z to accept or reject my decision before 24 November 2025.

Rachael Williams  
**Ombudsman**