DRN-5520526

The complaint

Miss T has complained that Salary Finance Loans Limited (Salary Finance) unfairly provided her with a loan.

What happened

On 15 November 2022, Miss T entered into a loan agreement with Salary Finance as shown below. She told Salary Finance that she wanted to consolidate debt with the loan.

Date	Amount of credit	Term	Monthly payment	Total repayable
15 November 2022	£8,000	24 months	£339.05	£8815.36

On 27 October 2024, Miss T complained to Salary Finance with the help of a professional representative. In the complaint, Miss T said she didn't think Salary Finance had lent responsibly to her. She felt it had failed to undertake a reasonable assessment of her creditworthiness at the time of the lending. She's said had Salary Finance completed the appropriate checks it would have found the lending was unaffordable for her.

Salary Finance looked into Miss T's complaint and issued a final response letter explaining it believed it had acted fairly in providing the credit. Salary Finance provided a summary of the checks it had conducted and felt the agreement was affordable for Miss T. It said it had confirmed the agreement was affordable by checking the information the credit reference agencies held about her, asking her about her income and confirming this through her employer. It said it used data from the Office of National Statistics (ONS) and her credit file to understand her expenditure.

Miss T didn't accept Salary Finance's response, so she referred her complaint to our service with the help of her representative. One of our investigators looked into it, but based on the evidence available, our investigator said she couldn't reasonably conclude that the lending was irresponsible, or the relationship was unfair.

Miss T didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed 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.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did Salary Finance carry out reasonable and proportionate checks to satisfy itself that Miss T was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Salary Finance make a fair lending decision?

- Did Salary Finance act unfairly or unreasonably towards Miss T in some other way?

Salary Finance had to carry out reasonable and proportionate checks to satisfy itself that Miss T would be able to repay the credit sustainably. It's not just about Salary Finance assessing the likelihood of Miss T being able to repay the credit, but it had to consider the impact of the repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the cost of the credit.

Did Salary Finance carry out reasonable and proportionate checks to satisfy itself that Miss T was able to sustainably repay the credit?

Before lending to Miss T, Salary Finance asked her about her income. It's said she declared an annual income of £36,400. They verified this through Miss T's employer and found that she was earning £2,221.96 a month which is broadly consistent with what Miss T had declared. Using the credit reference agencies Salary Finance calculated that Miss T was spending on average £256 a month on other revolving credit and around £337 on her mortgage. It then used data from the ONS to understand Miss T's other monthly expenditure and found that someone in Miss T's situation would be spending around £847 on other essential costs. So, it verified Miss T's income, took into account her existing unsecured debt, mortgage payments, and other regular outgoings. Having done so it concluded that after the repayments to this loan Miss T would have a disposable income of around £415 if she didn't use it to repay some of her existing debts.

Salary Finance has also explained that it carried out a credit search to get an understanding of Miss T's situation before it decided to lend. It said this revealed that she had no recent defaults, County Court Judgements (CCJs) debt management plans, bankruptcies, or IVAs.

I've seen the credit file results and can confirm there was no adverse information showing on the records available to Salary Finance at that time. I can see Miss T had a reasonable level of unsecured debt. But her repayments to this were up to date. It appears from the credit file Miss T has provided that around 5 months before the lending she missed a payment on one of her accounts. However, she quickly got the account back on track and kept her payments up to date after that. So, even if Salary Finance had been aware of this, I don't think alone it would have been a reason for Salary Finance not to lend.

Salary Finance applied estimates for Miss T's regular living expenses and income using nationally recognised statistics and information from the credit reference agencies. This is an approach it's allowed to take under the relevant lending rules. So, I'm satisfied it was reasonable for Salary Finance to use this, in addition to the other information it gathered about Miss T when considering the application.

Having reviewed the overall unsecured debt Miss T had, I think Salary Finance's calculations for the repayments came out a little low. When considering what a repayment of around 3% (the value Salary Finance used) a month would look like, I think Miss T's payments would have been around £282. However, this would still have left Miss T with a disposable income of around £389 which is reasonable. Had Miss T used the loan for debt consolidation she would have had more than £650 disposable income.

I've considered the information that was available to Salary Finance at the time it made its lending decision. But I haven't seen anything that would suggest it needed to do further checks before lending to Miss T or that it should have known she wouldn't be able to sustainably repay the loan.

On the evidence available, I'm persuaded the checks Salary Finance completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve a loan was reasonable based on the information Salary Finance gathered about Miss T's circumstances. I'm very sorry to disappoint Miss T but overall, I'm not persuaded that Salary Finance created unfairness in its relationship with her as a result of its decision to lend.

Did Salary Finance act unfairly or unreasonably towards Miss T in some other way?

I can see that Miss T repaid the loan without issue until May 2024 when it appears things changed. At this point Miss T entered into a debt management plan and I can see Salary Finance were engaging with this process. I think that shows Salary Finance was attempting to treat Miss T fairly and I've not seen any evidence to suggest that Salary Finance treated Miss T unfairly in some other way.

Overall, and based on the available evidence I don't find that Salary Finance has acted unfairly in this case. It's not clear enough to me that Salary Finance created unfairness in its relationship with Miss T by lending to her irresponsibly and I don't find Salary Finance treated Miss T unfairly in any other way based on what I've seen.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 26 September 2025.

Charlotte Roberts
Ombudsman