

The complaint

Mr R complains that East End Fair Finance Limited was irresponsible in its lending to him. He wants all interest and charges paid on his loans refunded along with statutory interest. He also wants any adverse information regarding the loans removed from his credit file.

Mr R is represented by a third party but for ease of reference I have referred to Mr R throughout this decision.

What happened

Mr R was provided with two loans by East End Fair Finance, the details of which are set out below.

Loan	Date	Amount	Term	Weekly repayments
1	April 2021	£500	25 weeks	£25.77
2	July 2021	£1,000	52 weeks	£31.91

Mr R said that adequate checks weren't carried out before the loans were provided. He said that had they been East End Fair Finance would have seen that he had experienced financial difficulties with accounts having been passed to debt recovery companies.

East End Fair Finance issued a final response to Mr R's complaint dated 28 August 2024. It said that Mr R made the repayments due under his first loan on time and before the end of the loan term he applied for a top-up loan which was approved. The outstanding balance of £295.60 from loan one was repaid from the funds of loan two.

East End Fair Finance said that before the loans were provided it carried out reasonable and proportionate checks. It verified Mr R's declared income through his account statements and gathered information about his expenses. It said the credit check results showed some adverse data, but this wasn't such that the loans would be declined. It didn't accept the loans were provided irresponsibly.

Mr R referred his complaint to this service.

Our investigator found the checks East End Fair Finance did before loan one was provided were proportionate and as these suggested the loan repayment to be affordable, he didn't think that East End Fair Finance was wrong to provide this loan.

Regarding loan two, our investigator thought the checks carried out before the loan was provided were proportionate. However, he thought the credit data received should have raised concerns about his ability to manage his existing credit commitments. He noted that Mr R's account statements showed his outgoings were higher than his income. Given this he didn't think that loan two should have been provided.

East End Fair Finance didn't respond to our investigator's view. So, as a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr R was provided with two loans, and I have considered whether each of these lending decisions were reasonable.

Loan One: April 2021

Loan one was for £500, repayable through 25 weekly instalments of £21.55. Before the loan was provided, Mr R was asked about his employment and income, and his income was verified through open banking data. Mr R declared a monthly income of £2,500 and the verification process supported this. Mr R was also asked about his expenses which he declared as £1,145, and a credit check was carried out. The credit check identified three defaults in the previous 36 months but these were historic with the most recent default date recorded as August 2019. Mr R's recent credit data showed he was up to date with his accounts.

Given the size and term of the loan and the repayments required compared to Mr R's income, and noting that his recent credit history didn't raise concerns, I think the checks carried out before loan one was provided were proportionate. As these suggested the repayments would be affordable for Mr R, I do not find I can say that East End Fair Finance was wrong to provide this loan.

Loan two: July 2021

Loan two was for £1,000, repayable through 52 weekly instalments of £31.91. Loan two was used in part to repay loan one. Mr R had made his payments due under loan one and so I do not find that his account management should have raised concerns. East End Fair Finance carried out similar checks to those undertaken before loan one was provided, including verifying Mr R's income and carrying out a credit check. East End Fair Finance had access to Mr R's account statements and so I think the checks undertaken and information gathered before loan two was provided was proportionate.

Mr R's credit check showed that he had increased his unsecured debt between loan one and loan two and while this was still at a relatively low level, I think this, along with his request for loan two around three months after loan one could have suggested he was beginning to struggle to manage his finances. Mr R's credit check reported that he had three months of arrears on a budget account. While East End Fair Finance asked Mr R about this, the explanation provided didn't clearly explain the arrears and Mr R noted he had been put on a payment plan. Taking all of this into account, and noting Mr R had previously experienced financial difficulties, I think that East End Fair Finance should have been concerned that Mr R was struggling to manage his commitments and so providing further credit at this time might not be sustainably affordable for him.

Therefore, I am upholding this complaint in regard to loan two.

I've also considered whether East End Fair Finance acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether its relationship with Mr R might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, I'm satisfied the redress I have directed above results in fair compensation for Mr R 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.

Putting things right

As I don't think East End Fair Finance ought to have opened the second loan account, I don't think it's fair for it to be able to charge any interest or charges under that credit agreement. But I think Mr R should pay back the amount he borrowed. Therefore, East End Fair Finance should:

- Add up the total repayments Mr R has made towards the second loan and deduct these from the total amount of money Mr R received on the second loan.
- a) If this results in Mr R having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). East End Fair Finance should also remove all adverse information regarding this account from Mr R's credit file.
- b) If any capital balance remains outstanding, then East End Fair Finance should arrange an affordable and suitable payment plan with Mr R. Once Mr R has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

If East End Fair Finance has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires East End Fair Finance to take off tax from this interest. East End Fair Finance must give Mr R a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that East End Fair Finance Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 June 2025.

Jane Archer
Ombudsman