DRN-5551464

## The complaint

Miss R is complaining that Calderdale Credit Union Limited (CCU) lent to her irresponsibly by providing her with a personal loan. Miss R is represented in her complaint but for ease I've written as if we've dealt with her directly throughout.

## What happened

In September 2023, Miss R applied for a loan with CCU. They lent her around £1,000 over a 58-week term which she needed to pay back at a rate of £20 per week. Miss R settled this loan early in July 2024 and then applied for a larger loan with CCU – that later loan isn't part of this complaint.

Miss R also complained to CCU in July 2024, saying they shouldn't have given her the first loan as it was unaffordable. CCU didn't reply to Miss R so she brought her complaint to our service where one of our investigators looked into it.

Our investigator didn't uphold Miss R's complaint – she said CCU had carried out enough checks and had made a fair decision to lend to Miss R. Miss R wasn't happy with this view. She didn't give any particular reasons for disagreeing, but asked for an ombudsman's decision. The complaint's now been allocated to me.

## 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, and acknowledging it'll be disappointing for her, I'm not upholding Miss R's complaint for broadly the same reasons as our investigator. I'll explain more below.

*What's required of lenders?*

Although Miss R's loan agreement with CCU is an exempt agreement, and therefore not subject to all the usual consumer credit regulations, CCU 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 a credit union needs to give some consideration to an applicant's circumstances before lending to them.

*Did CCU carry out reasonable checks?*

Before lending to Miss R, CCU said they:

- Obtained Miss R's income and expenditure from her application;
- Carried out a credit check; and
- Obtained Miss R's open banking data and used this to verify Miss R's income and expenditure and assess the affordability of the loan repayments.

I'm satisfied these checks were thorough enough to give CCU a good understanding of Miss R's financial circumstances and the affordability of the loan for her.

*Did CCU make a fair lending decision?*

I then need to consider whether CCU made a fair lending decision based on the information they found.

The credit check showed that Miss R had no adverse public information such as bankruptcies or County Court Judgments (CCJs). She had defaulted on a few accounts, but the defaults had all taken place more than twelve months before CCU's lending decision, and they'd all been satisfied. So I don't think these should have caused CCU concern.

The credit check showed Miss R had missed payments on a loan in April 2023 and March 2023, but that she'd brought the account back up to date and then settled it in May 2023. And it showed she'd been over her credit limit for at least six months on one of her mail order accounts. It showed she had total balances of around £15,300, of which £13,500 related to a hire purchase agreement for a vehicle. The remaining £1,800 comprised a loan with a balance of £158, and three mail order accounts. All her active accounts were up to date with no missed payments in the last twelve months. So, it would have appeared to CCU that Miss R was broadly managing her credit well and was not overly indebted.

CCU obtained Miss R's income and expenditure figures from her application. They said she told them she had monthly income of £2,700 and expenditure of £1,135. They added in a buffer of £250 "notional expenses", which suggested she had disposable income of £1,315 from which to make the repayments for this loan of around £80 per month.

But CCU also used open banking to check the figures Miss R provided. Having done so, they said Miss R's income was £2,400, her expenditure was £1,700 and they again included notional expenses of £250, leaving her with £450 disposable income from which to make the £80 per month repayments. That suggests the loan repayments would be easily affordable for Miss R and CCU acted reasonably in deciding to lend to her. CCU said the expenditure figure included rent, bills, council tax, food, payments to other creditors, savings and pensions, and travel expenses.

CCU no longer have access to the open banking data they used. So I've looked at Miss R's bank statements for the three months preceding the lending decision to get an understanding of what they would have seen. Having done so, although I can't match the figures CCU arrived at, I'm satisfied the loan repayments would have appeared affordable for Miss R and CCU made a fair lending decision.

*Did CCU act 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. However, for the reasons I’ve already given, I don’t think CCU lent irresponsibly to Miss R 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 R’s complaint about Calderdale Credit Union.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss R to accept or reject my decision before 9 September 2025.

Clare King
**Ombudsman**