DRN-5580857

## The complaint

Mr H complains Salary Finance Loans Limited (SFLL) acted irresponsibly by failing to undertake a reasonable assessment of his creditworthiness prior to approving him for credit.

Mr H is represented in this complaint by a claims management company but, for ease, I'll refer to Mr H directly throughout my decision.

## What happened

In May 2022, Mr H took out a fixed sum personal loan with SFLL. He borrowed £4,356, and the agreement required him to make 17 monthly repayments of £282.01, followed by a final repayment of £281.98 on month 18.

In October 2024, Mr H complained to SFLL about their decision to lend to him saying they'd failed to take reasonable steps to assess his ability to make the repayments to the loan in a sustainable manner, without incurring financial difficulties or experiencing significant adverse consequences.

SFLL sent Mr H their final response later that month, but they didn't uphold his complaint. In summary, SFLL said they were confident Mr H's loan application was appropriately assessed for both affordability and sustainability at the time.

Mr H remained dissatisfied with SFLL's response, so asked our service to investigate.

One of our Investigators looked into things and thought the checks SFLL carried out prior to lending were proportionate. And because SFLL's checks showed Mr H looked to have had enough disposable income to cater for any unforeseen emergency costs, she didn't think they'd done anything wrong by agreeing to lend to him.

Mr H disagreed with our Investigator saying the validated income figure SFLL used was incorrect and that the volume of credit he'd taken out in the six months prior to the application ought to have been a sign to prompt SFLL to complete accurate checks.

Our Investigator said it wasn't unreasonable to believe Mr H's income may have fluctuated over the year, nor was it uncommon for businesses to see higher levels of borrowing given the nature of the loan requested.

Because no resolution could be reached, this case has been passed to me to decide.

## 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, although I appreciate it'll be a disappointment to Mr H, I'm not upholding his complaint and for much the same reasons as our Investigator. I'll explain why.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mr H's complaint. SFLL needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for him before agreeing to provide the loan.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like SFLL to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- Did SFLL complete reasonable and proportionate checks to satisfy themselves Mr H would be able to meet the repayments of the borrowing without experiencing significant adverse impact on his financial situation?
    - If they did, was their decision to lend to Mr H fair?
    - If they didn't, would reasonable and proportionate checks have shown that Mr H could sustainably repay the borrowing?
- Did SFLL act unfairly or unreasonably in any other way?

<u>Did SFLL complete reasonable and proportionate affordability checks?</u>

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £5,076.15, with Mr H committing to make 17 monthly repayments of £282.01, followed by one repayment of £281.98. This was, therefore, a relatively lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I'd expect to see SFLL to have completed a thorough affordability check.

SFLL run a unique business model in that their relationship with employers allow them, with the consumers consent, to verify income with the employer directly prior to making their lending decision. The repayments towards the agreement are then deducted directly from a consumer's salary by the employer and paid to SFLL each month.

In this case, Mr H declared to SFLL he was earning an annual salary of £33,449. SFLL say they were able to verify with Mr H's employer a monthly income of £2,067, the figure they then used when calculating his affordability.

In addition to verifying Mr H's income, SFLL also completed a credit check to help them understand how he managed both his current and existing finances.

The report showed Mr H wasn't in arrears on any of his accounts at the time of his application, he didn't have any unsatisfied County Court Judgements registered against him and he'd not defaulted on any account in at least the 36 months prior.

SFLL saw Mr H wasn't in Bankruptcy or an Individual Voluntary Arrangement and his commitment towards his existing debt was £271 a month. SFLL did see Mr H had opened five credit or store cards in the six months prior to the application with them but noted only one showed a balance and was being maintained within the agreed limit.

SFLL also used information from the office of national statistics (ONS) to estimate Mr H's housing costs and living expenses which they calculated likely to be around £958. They then used this figure, alongside the cost of both Mr H's exsisting credit commitments and the new agreement, to calculate his non-discretionary monthly expenditure to likely be around £1,507.

So, in summary, I wouldn't expect SFLL to do more in the circumstances here. They verified Mr H's income and completed a credit check, the results of which showed them his overall finances were being managed well. SFLL also took into consideration Mr H's actual existing credit commitments which they used, alongside using figures from ONS, to gain a better understanding of his likely non-discretionary expenditure before making a lending decision.

Overall, I think SFLL completed reasonable and proportionate checks and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly assess if the agreement was affordable and sustainable for Mr H.

But this doesn't automatically mean SFLL went on to make a fair lending decision – it's this I'll go on to look at next.

<u>Did SFLL make a fair lending decision?</u>

I acknowledge Mr H says the income figure SFLL verified with his employer is incorrect, pointing to a net monthly income of £1,775 seen in the bank account statement he has provided.

But Mr H's bank account statements do show a fluctuating income from his employer. In the months I've seen his income ranges between £1,593 to £1,980. But in any case, ultimately, I've not seen anything to suggest SFLL ought not to have had confidence in the verified figure they were provided by Mr H's employer at the time.

SFLL deducted Mr H's actual commitments towards his existing credit, a figure towards housing costs and living expenses obtained from statistical data and the repayment towards the new agreement he was applying for, to calculate he would be left with a monthly disposable income of around £560.

Mr H says the volume of credit taken out in the six months prior to him applying for the loan with SFLL, ought to have prompted them into conducting more accurate checks – but I don't agree.

Here, as SFLL explained in their final response to Mr H, he applied for the loan with the intention to consolidate debt. So, while I still think SFLL saw Mr H was managing his existing credit well at the time, if anything, I think on balance it's more likely than not their concern about the presence of recent applications, including high-cost credit, would be lessened by the knowledge someone was looking to consolidate their debt with the credit being applied for.

I'm satisfied SFLL's checks were both reasonable and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks so I'm not upholding this complaint.

Did SFLL act unfairly or unreasonably in some other way?

I've also considered whether SFLL acted unfairly or unreasonably in some other way given what Mr H has complained about, including whether their relationship with Mr H might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think SFLL lent irresponsibly to Mr H or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

## My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 October 2025.

Sean Pyke-Milne
**Ombudsman**