

## **The complaint**

Mr M complains that My Finance Club (“MFC”) lent to him irresponsibly.

In bringing his complaint, Mr M is supported by a professional representative; for ease, though, I’ll refer to all actions and submissions as being those of Mr M.

## **What happened**

Mr M took out a loan with MFC in October 2023; he borrowed £350 to be repaid over 60 days. Mr M had some difficulties with repaying the loan but, as of June 2024, the debt had been settled in full.

In August 2024, Mr M complained to MFC. He said, in short, that the loan had been granted irresponsibly. Mr M thought MFC hadn’t carried out sufficient checks so as to accurately assess his ability to afford the loan. MFC didn’t uphold Mr M’s complaint. It defended its decision to provide Mr M the loan and said it had carried out suitable checks, to determine his affordability, in the circumstances.

Mr M remained unhappy and referred his complaint to this Service. An Investigator here looked at what had happened; having done so, they didn’t think Mr M’s complaint should be upheld. In summary, the Investigator said:

- MFC had carried out proportionate checks in the circumstances before agreeing to lend.
- Nothing revealed in the results of those checks suggested the loan was, or would be, unaffordable for Mr M. As such, given the results of its proportionate checks, MFC didn’t need to verify Mr M’s financial position.
- With all of that in mind, MFC hadn’t done anything wrong in the circumstances of this case.

Mr M disagreed. He maintained his position that MFC hadn’t done enough to understand his financial position before agreeing to lend. Mr M pointed out that when completing his income and expenditure information, during his application, he’d included “£0.00” as his costs for groceries. He thought MFC ought to have picked up on that, realising it wasn’t realistic.

Our Investigator reconsidered, in light of Mr M’s comments, but they didn’t change their mind. They reiterated that MFC had carried out proportionate checks; they also said that Mr M had included expenses of £200 in a different category – and it wasn’t necessarily unreasonable to say that Mr M might’ve misclassified costs between different categories. In any event, this point alone wasn’t enough to determine that MFC had lent irresponsibly.

Mr M asked for an Ombudsman’s decision. So, as no agreement has been reached, his

complaint 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.

In short, when making a lending decision, MFC needed to make sure that it didn't provide loans irresponsibly. In practice, what this means is that MFC needed to carry out proportionate checks to be able to understand whether any lending was sustainable; it had to do so taking into account Mr M's specific circumstances, before providing any credit.

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. That said, we might think a lender needed to do more if, for example, a borrower's income was low, or the amount lent was high.

Additionally, the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly. I don't think, though, that applies to Mr M here given there was only one loan.

In his application, I've seen that Mr M declared he worked full time and that he earned £2,200 per month. MFC says Mr M's income was checked, and the income he had declared was likely to be accurate. In the round, considering this was the first loan for Mr M, I don't think MFC needed to have carried out any further checks into his income. Mr M also declared his expenses during application; he gave a figure of around £1,400 which was split across various categories: housing, utilities, credit commitments, and so on. Based upon those declarations then, on the face of it, Mr M had enough disposable income to afford the repayments.

Alongside that, MFC says it also carried out a credit search. It's provided the results it received from the Credit Reference Agency ("CRA") and, having reviewed them, I don't think the results of that check would've caused MFC concern. There weren't any recent defaults nor missed payments; no County Court Judgements or Individual Voluntary Arrangements were recorded either.

It's worth mentioning here that while MFC did choose to carry out a credit search, there wasn't a regulatory requirement to do one; let alone one to a specific standard. What MFC couldn't do, though, given it had carried out a search, is then not react to the information it received – if necessary. Here, I'm satisfied that the credit check results wouldn't have been a concern for MFC, and it follows that I don't think there was a need for MFC to go any further in terms of checking or verifying.

Mr M has made a specific point around how he declared no costs for groceries; he says MFC ought to have realised that couldn't be accurate and questioned it. Broadly, I'd agree with him – it's hard to imagine an individual like Mr M here, who told MFC he was living in rented accommodation, spending nothing on groceries each month. Nonetheless, I don't consider it reason alone to find that MFC lent irresponsibly. It's entirely plausible that Mr M included food costs in another category – like putting it under "other", for which he declared £200. In any event, even if he didn't, on balance, with the results of MFC's checks in mind and considering *all* of the information Mr M provided it, I don't think MFC ought to

have concluded that this loan was unaffordable.

Broadly then, to sum up, I'm satisfied that the checks MFC carried out were proportionate and showed Mr M should be able to afford the repayments. There also wasn't anything else to suggest that the loan would either be unaffordable for him or unsustainable. It follows that I don't think MFC treated Mr M unfairly or unreasonably, and I don't uphold this complaint. Finally, 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**

My final decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 September 2025.

Simon Louth  
**Ombudsman**