

Complaint

Mrs C has complained about loans Hull and East Yorkshire Credit Union Limited ("HEY CU") provided to her. She says that sufficient checks hadn't been carried out before the loans were provided and if they had been it would have been clear that the loans were unaffordable.

Background

HEY CU provided Mrs C with a total of 14 loans. Mrs C's overall loan history with HEY CU is as follows:

| Loan | Date | Total lent | New funds | To existing loan | Repayment* |
|------|----------------|------------|-----------|------------------|------------|
| 1 | September 2017 | £500 | £500 | £0 | £12 |
| 2 | February 2018 | £707.53 | £400 | £307.53 | £17.40 |
| 3 | September 2018 | £757.24 | £450 | £307.24 | £18 |
| 4 | January 2019 | £1,033.28 | £550 | £483.28 | £25 |
| 5 | August 2019 | £1,058.48 | £550 | £508.48 | £25 |
| 6 | March 2020 | £1,143.34 | £700 | £443.34 | £27.40 |
| 7 | November 2020 | £1,195.22 | £800 | £395.22 | £28 |
| 8 | March 2021 | £1,437.66 | £600 | £837.66 | £34 |
| 9 | July 2021 | £1,500.97 | £550 | £950.97 | £35.15 |
| 10 | November 2021 | £1,500.22 | £500 | £1,000.22 | £35.15 |
| 11 | March 2022 | £1,530.15 | £480 | £1,050.15 | £35.15 |
| 12 | April 2022 | £1,547.72 | £400 | £1,147.72 | £35.70 |
| 13 | July 2022 | £1,539.05 | £450 | £1,089.05 | £35.70 |
| 14 | October 2022 | £1,508.72 | £450 | £1,058.72 | £35.70 |

* weekly repayment

I have included loan 14 in the above table for reference. However, Mrs C has already separately complained about loan 14 and received an answer from us on this matter. So I will not be considering whether HEY CU acted fairly and reasonably towards Mrs C when providing loan 14 as part of my determination of this complaint and I will solely be focussing on HEY CU's actions when providing loans 1 to 13 to Mrs C.

Mrs C's complaint was considered by one of our investigators. He thought that HEY CU hadn't done anything wrong or treated Mrs C unfairly when providing loans 1 to 6. However, he also thought that HEY CU ought to have realised that loans 7 to 13 were unaffordable for Mrs C and it therefore shouldn't have provided them. So he thought that Mrs C's complaint should be partially upheld and recommended that HEY CU refunded all the interest, fees and charges it added to loans 7 to 13 as well as remove any and all adverse information it may have reported about these loans to credit reference agencies.

HEY CU accepted the investigator's conclusions, however Mrs C disagreed and asked for an ombudsman to look at her complaint and issue a final decision.

As HEY CU has accepted the investigator's assessment, I don't need to consider whether it acted fairly and reasonably when agreeing to provide loans 7 to 13 to Mrs C. I simply need to consider whether it acted fairly and reasonably when agreeing to provide loans 1 to 6 to Mrs C and if it did not what effect this has on what it has already agreed to do to put things right for her.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs C's complaint.

Having carefully considered everything, I'm satisfied that what HEY CU has already agreed to do to put things right for Mrs C is fair and reasonable in all the circumstances of Mrs C's complaint. So I'm not requiring it to do anything more or anything further. I'll now explain why I think this is the case in a little more detail.

I'll start by setting out my thoughts on loans 1 to 6.

Our typical approach to case about irresponsible and unaffordable lending cases

HEY CU needed to make sure that it acted fairly and reasonably towards Mrs C. As part of this, it needed to take reasonable steps to ensure that the (in this case weekly) loan payments were affordable for her. In practice, what this means is HEY CU needed to carry out sufficient enquiries into Mrs C's circumstances to be able to have a reasonable understanding of whether she could afford to make her repayments before providing these loans.

Although I accept that as a Credit Union, HEY CU's specialist sourcebook isn't the Consumer Credit Sourcebook ("CONC"), it has nonetheless said that its actions were in compliance with it. 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 it – in the early stages of a lending relationship.

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

Why I'm satisfied that HEY CU didn't act unfairly or unreasonably when providing loans 1 to 6 to Mrs C?

HEY CU says it agreed to Mrs C's applications for loans 1 to 6 after she provided details of her income and some details on her expenditure. It says it requested copies of payslips and also carried out credit checks to assess Mrs C's existing indebtedness.

In its view, this information showed Mrs C could afford to make the weekly repayments she was committing to. On the other hand, Mrs C says the repayments were unaffordable and this was even more the case as she took further loans and her position became more acute after her circumstances changed in 2020.

I've carefully thought about what Mrs C and HEY CU have said.

The first thing for me to say is that while I've noted Mrs C's comments, I don't think that this is a case where a lender simply accepted a prospective borrower's declarations at face value and without verifying any of the information.

I say this because HEY CU not only asked Mrs C for details about her income and expenditure, it also asked for copies of payslips and bank statements as well as carried out credit checks to assess Mrs C's indebtedness. The credit searches did show that Mrs C had previously had difficulty with repaying credit in the form of her having a county court judgment ("CCJ") recorded against her. But it's also fair to say that the amount of Mrs C's active credit commitments were low.

It could be argued that Mrs C's existing CCJ, meant that HEY CU ought to have scrutinised the bank statements it was provided with in order to find out more about Mrs C's actual living costs rather than solely relying on what she said about living with parents. However, I'm not persuaded that doing this would, in any event, have made a difference.

I say this because the bank statements Mrs C provided HEY CU with, appear to show that when her identifiable committed regular living expenses are combined with what she was paying to her credit commitments, and then deducted from her income she did have the funds to be able to make the weekly repayments due as a result of the first six agreements.

Indeed, the copies of the bank statements which Mrs C provided to HEY CU at the time of the first five loan applications¹ show that she had sufficient funds to be able to make her payments and this is even when her discretionary and non-committed expenditure is included.

So having considered the bank statements which HEY CU was provided with, given the amount left in Mrs C's account in the lead up to these applications, the amount of the weekly payment for these loans and the fact that she was making similar payments already, it doesn't seem immediately apparent to me that HEY CU ought to have realised that Mrs C might struggle to make her repayments.

I accept that Mrs C's circumstances may have worsened after she took these loans and I'm sorry to hear what Mrs C has said about her difficulty making payments. But HEY CU has already accepted that there was a change in circumstances from 2020 onwards and it has agreed that it shouldn't have provided loans 7 to 13 as a result. Furthermore, I don't think that HEY CU could be expected to have known that Mrs C's circumstances would change in the way that they did, or that the weekly payments to loans 1 to 6 were unaffordable either.

As this is the case and having considered everything, I'm satisfied that HEY CU didn't act unfairly or unreasonably in providing loans 1 to 6 to Mrs C. In these circumstances, I'm satisfied that HEY CU doesn't need to compensate Mrs C for loans 1 to 6. So its offer to refund all of the interest, fees and charges it added to loans 7 to 13 as well as remove any adverse information it may have recorded with credit reference agencies is fair and reasonable in all the circumstances of Mrs C's complaint.

In reaching my conclusions, I've also noted that Mrs C is unhappy at the way that HEY CU has handled her complaint. For example, I've seen that Mrs C feels that HEY CU's final response blamed her for her unaffordable loans and that delays almost resulted in us being unable to consider her complaint. However, Mrs C was able to refer her complaint here and

¹ The information provided for loan 6 doesn't include bank statements.

therefore I don't see how she could have lost out as a result of HEY CU's handling of matters relating to her complaint.

In any event and most importantly, complaint handling isn't an activity which falls within my jurisdiction. Ultimately, it is the regulator which monitors firms' actions in relation to the complaint handling rules and which deals with any non-compliance in this area. So while I appreciate that Mrs C is unhappy at the way HEY CU handled her complaint, I'm afraid that this isn't a matter I can consider or award her compensation for.

Finally, I've also considered whether the lending relationship between HEY CU and Mrs C might have been unfair to Mrs C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, I'm satisfied that what HEY CU has already agreed to do to put things right for Mrs C's complaint as a whole, is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything further. I'm also not persuaded that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome in respect of this.

Overall and having considered everything, I'm satisfied that what HEY CU has already agreed to do is fair and reasonable in all the circumstances of Mrs C's complaint. So I'm not requiring it to do anything more or anything further and I leave it up to Mrs C to decide whether she wishes to accept HEY CU's offer to settle her complaint. I hope that Mrs C will understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm satisfied that what Hull and East Yorkshire Credit Union Limited has already agreed to do to put things right for Mrs C is fair and reasonable in the circumstances of her complaint. I'm not requiring it to do anything more, or anything further, and I leave it up to Mrs C to decide whether she wishes to accept this offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 9 July 2025.

Jeshen Narayanan
Ombudsman