

## **Complaint**

Mr C has complained about a loan Salary Finance Limited (“Salary Finance”) provided to him.

He says the loan was unaffordable and so shouldn’t have been provided to him. He’s also unhappy at the interest rate on the loan and the help he was offered when he ran into difficulty making his payments.

## **Background**

Salary Finance provided Mr C with a loan for £6,500.00 in September 2024. This loan had an APR of 29.9%, total interest, fees and charges of £5,516.64 and this meant that the total amount of £12,016.64 was to be repaid in 60 monthly instalments of £200.27. The purpose of the loan at the time of the application was recorded as debt consolidation.

One of our investigators reviewed what Mr C and Salary Finance had told us. And she thought that Salary Finance hadn’t done anything wrong or treated Mr C unfairly. So she didn’t recommend that Mr C’s complaint be upheld.

Mr C disagreed and asked for an ombudsman to look at his complaint.

## **My findings**

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

Before I go on to set out my conclusions on this matter, I want to say that I can see that it’s clear just how strongly Mr C feels about his complaint and why he’s unhappy. So I think it might help for me to set out that while I may have not commented on each and every point that he’s made, I have read and considered everything he’s said.

However, I’ve focused on the key things that have led to me reaching, what in my view is, a fair and reasonable decision. For the sake of completeness, I’d add that the rules of this service permit me to do this as it reflects the nature of our service which was set up to be an informal alternative to the courts.

Having carefully considered everything, I’ve not been persuaded to uphold Mr C’s complaint. I’ll explain why in a little more detail.

I’ll start by setting out my thoughts on Salary Finance’s decision to provide Mr C with this loan.

*Did Salary Finance act fairly and reasonably in agreeing to lend to Mr C?*

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 Mr C’s complaint.

Salary Finance needed to make sure that it didn't lend irresponsibly. In practice, what this means is Salary Finance needed to carry out proportionate checks to be able to understand whether Mr C could afford to repay before providing this loan.

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.

Salary Finance says it agreed to Mr C's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked Mr C's declaration of income against information from his employer and his expenditure against a credit search it carried out.

In Salary Finance's view all of this information showed Mr C could afford to make the repayments he was committing to.

On the other hand, Mr C has said he should never have been provided with this loan because of his existing financial position.

I've carefully thought about what Mr C and Salary Finance have said.

The first thing for me to say is that Salary Finance didn't simply accept an over-optimistic declaration of monthly disposable income at face value. Salary Finance checked Mr C's declaration with his employer. Equally, while the credit searches did show that Mr C had some existing debts, these weren't excessive. And the intention was for Mr C to clear some of his existing commitments with the proceeds of this loan.

Mr C would have been in a better position had he used this loan to consolidate his existing debts in the way he said he was going to. So I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr C's existing indebtedness in a way that was unsustainable or otherwise harmful.

It's also worth pointing out that the information Mr C has provided now does appear to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement. Equally, Mr C would have even more left over provided he consolidated his debts in the way that he said he would.

It is possible that Mr C may not have cleared his existing balances with this loan, or ended up re-establishing balances on some of his credit accounts. But Salary Finance can't know that this would have happened. Ultimately, Salary Finance needed to make a reasonable decision based on the information it had available at the time.

In my view, all Salary Finance could do was take reasonable steps to ensure the payments would be affordable for Mr C. And as Mr C didn't have a history of failing to consolidate debts as he said he would here, I think Salary Finance was reasonably entitled to believe the funds would be used for the stated purpose.

In reaching my conclusions, I've also thought about what Mr C has said about his circumstances and the fact that Salary Finance failed to take account of his vulnerabilities. As this final decision will be published, I've not set out the full details of Mr C's health and personal circumstances. Nonetheless, I wish to confirm that I've carefully considered everything that he's said and provided.

Having done so, I don't think that Salary Finance was actually aware of what Mr C has told us about at the time that it made its lending decision. Indeed, I note that Mr C has said that he was diagnosed after the loan was taken. So I don't think that Salary Finance could reasonably be expected to have been aware of these matters at this time.

As this is the case, I don't think that Salary Finance did anything wrong when deciding to lend to Mr C – reasonable and proportionate checks are unlikely to have shown that Mr C would have difficulty making his payments to this loan and if he consolidated his debts like he said he would do, Mr C would actually have been left in a better financial position.

#### *Mr C's concerns regarding the interest rate on this loan*

I have thought about what Mr C has said about the costs of this loan being high. In the first instance it may help for me to explain that the interest rate offered by a lender is affected by a number of different factors. This will include factors linked to the borrower such as their existing indebtedness and the risk of them repaying a loan.

However, it will also include factors that are independent of the borrower – such as the amount borrowed, the term of the loan, wholesale interest rates and the interest rate that the lender has been able to obtain funds at. Indeed, Salary Finance has confirmed that it increased its interest rates in July 2023 because of the increase in wholesale funding rates.

So while Mr C believes that he should have received a better loan rate as he'd previously done so and was now in a better position, it doesn't automatically follow that a borrower will receive a better rate of interest simply because they may perceive their circumstances to be better.

Furthermore, the information regarding the cost of this loan, which is set in the background section of this final decision, is taken directly from the loan agreement Mr C signed. It is clear that Mr C was being offered a rate that was higher than that the representative APR, which is typically offered to a percentage of a lender's customers rather than all of its customers. As this is the case, I'm satisfied that Salary Finance clearly set out the terms it was willing to lend on, on this occasion and Mr C was notified of the costs of the loan before he agreed to it.

While I accept what Mr C has said about impulsively taking the loan, ultimately as he chose to proceed after the costs were made clear, I can only conclude that Mr C was prepared to accept these terms at the time, albeit he may no longer consider this to be the case. And in these circumstances, I'm afraid that I'm not in a position to agree that Salary Finance acted unfairly towards Mr C in relation to the interest rate on his loan.

#### *Salary Finance's actions once Mr C got into contact to say he was having difficulty making his payments*

I now turn to what Mr C has said about Salary Finance's actions when he fell into difficulty making his payments. From what I've been able to see, it appears as though Mr C contacted Salary Finance, in March 2025, to explain that he was having difficulty making his payments.

When a lender becomes aware, or it ought reasonably to be aware, that a borrower is experiencing difficulty making their payments, I think that it is fair and reasonable to expect it to exercise forbearance and due consideration, in line with its regulatory obligations. I understand that Salary Finance did offer to set up a payment arrangement where Mr C would pay £50 a month. However, as this was put in place after March's payroll had been completed, Mr C should have been told that the full amount was due to be deducted.

I'm satisfied that these was a reasonable attempt at a first steps from Salary Finance. Nonetheless, I do appreciate that it would have been frustrating for Mr C not to have been told about the possibility of the full payment being taken from his salary in March 2025 and that he had to get in contact with Salary Finance again. However, as Mr C's actions prevented the full payment from being taken and Mr C was instead able to go onto the repayment plan, while I appreciate his annoyance, I'm satisfied that he didn't lose out as a result of any administrative errors in setting up this repayment plan.

I'm also aware that Mr C is unhappy at having been sent a default notice even though he was in a repayment arrangement. I do sympathise with what Mr C has told us. I fully appreciate why he's unhappy at the prospect of a default being recorded against him. However, a repayment plan doesn't guarantee that an account won't be defaulted.

Equally, while Mr C was in a repayment plan, he was only paying a quarter of his contractual monthly payment. This meant that notwithstanding the repayment plan, significant arrears were accruing on Mr C's account and this was in circumstances where a lender is typically expected to record a default against a borrower after around three months of arrears.

I've noted what Mr C has said about not being told that this payment arrangement wouldn't prevent the loan from defaulting. I don't know what Mr C was told at the time. I also accept the possibility that he may not have specifically been told that making payments of £50 a month on his payment arrangement wouldn't prevent the account from defaulting.

That said, I don't think it would have been fair, reasonable or proportionate for Salary Finance to hope for the best and ignore the fact that the arrears on the account were increasing, indefinitely. So I would have expected Salary Finance to have sent a notice of default in the way that it did (particularly as it was required to under The Consumer Credit Act 1974) - regardless of what, Mr C may or may not have been told about a default at the time he entered into the payment arrangement.

After all while terminating a facility and recording a default or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the debt that is in arrears. For example, it prevents further interest being added to the defaulted debt.

Telling Salary Finance that it wasn't entitled to send a notice of default, when Mr C wasn't repaying this debt in line with the initial terms and conditions, it was required to under the relevant legislation and such a notice provided Mr C with the knowledge of what he needed to do to prevent a default, wouldn't be fair and reasonable. As this the case, I'm satisfied that it was fair and reasonable for Salary Finance to have sent Mr C a notice of default when it did.

In reaching my conclusions, I've also considered whether the lending relationship between Salary Finance and Mr C might have been unfair to Mr C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Salary Finance irresponsibly lent to Mr C or otherwise treated him unfairly in relation to this matter. And I haven't seen anything

to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I don't think that Salary Finance treated Mr C unfairly or unreasonably in its dealing with him on this loan. And I'm not upholding Mr C's complaint. I appreciate this will be very disappointing for Mr C. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

For the sake of completeness, I note that Mr C has referred to a number of additional matters relating to offers for further borrowing, during the course of his complaint being here, which did not form part of his initial complaint to Salary Finance. However, it may help for me to explain that we're only able to look at a complaint after a respondent firm has had a chance to assess matters.

As Mr C hasn't raised these matters with Salary Finance before he will need to direct his concerns about these matters to it in the first instance. Mr C may be able to complain to us – subject to any other jurisdiction concerns – should he be unhappy with any other response he receives from Salary Finance in relation to this.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 January 2026.

Jeshen Narayanan  
**Ombudsman**