

Complaint

Mrs C has complained about a loan which she says East End Fair Finance Limited (trading as “Fair Finance”) unfairly lent to her. She says that this loan was unaffordable given her existing indebtedness and that a portion of her income was unfairly taken into account.

Background

Mrs C has also complained about an overdraft which Fair Finance provided to her. But we’ve already explained that we’re looking into that matter separately and this decision is solely looking at Fair Finance’s decision to provide Mrs C with a loan.

Fair Finance provided Mrs C with a loan for £1,000.00 in March 2024. This loan had a term of 12 months. This means that the total amount to be repaid of £1,944.96, which had interest fees and charges of £944.96, was due to be repaid in 12 monthly instalments of £157.08.

One of our investigators reviewed what Mrs C and Fair Finance had told us. She thought that Fair Finance hadn’t acted unfairly by providing this loan to Mrs C and so didn’t think that the complaint should be upheld.

Mrs C disagreed with our investigator’s assessment and asked for an ombudsman to review her 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.

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

Fair Finance needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Fair Finance needed to carry out proportionate checks to be able to understand whether Mrs C could afford to make her repayments 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 provide loans to a customer irresponsibly.

Fair Finance says Mrs C's loan application was approved after she provided details of her monthly income and some information on her expenditure. It says it cross-checked Mrs C's declarations against information on a credit search it carried out as well as open banking information.

In Fair Finance's view all of the information it gathered showed that Mrs C could afford to make the repayments she was committing to. On the other hand, Mrs C has said she that the loan was unaffordable and shouldn't have been provided to her.

I've carefully thought about what Mrs C and Fair Finance have said.

It's clear that Fair Finance did obtain some information about Mrs C before it decided to proceed with her applications. So it wasn't simply a case of Fair Finance accepting at face value that Mrs C could repay this loan. It's fair to say that the credit searches carried out on Mrs C showed that she had had historic difficulties with credit – in the form of two defaults and two county court judgments ("CCJ") recorded against her. However, it looks like this occurred during the pandemic and was therefore historic by the time of this application. Furthermore, I think that Fair Finance took account of this adverse information by requesting open banking access from Mrs C.

I accept that Mrs C's actual circumstances may not have been fully reflected either in the information she provided, or the information Fair Finance obtained. I know Mrs C says that she was in receipt of disability benefits which shouldn't have been included. But she did declare that she was receiving this. And while Mrs C may dispute this, I don't think that it was unreasonable to include these funds as being available to make payments going forward particularly given these were funds she was expected to receive over the course of the term of this loan.

Furthermore, I would also point out that there is no prohibition on lending to a prospective borrower whose income is made up of benefits. On the contrary, it would be arbitrary for a lender to automatically decline an application solely on the basis that the borrower might have been receiving benefits.

It doesn't automatically follow that an individual cannot afford a loan simply because they are on benefits and, in my view, it wouldn't be fair and reasonable to act in such a way. Therefore, I don't think that Fair Finance automatically ought to have declined Mrs C's application on the basis that Mrs C's income was made up of benefits.

I appreciate that Mrs C's circumstances later a took a turn for the worse and I do sympathise with the position that she is now in. However, this was sometime after the lending decision. I think it's also worth me explaining that Fair Finance could only make a reasonable decision based on the information it had available at the time. It did not have the benefit of knowing what we now know did happen.

I don't think that Fair Finance could be expected to have known that Mrs C's circumstances would take a turn for the worse. Instead, I'm satisfied that information gathered and as well as everything else I've subsequently seen, from the time at least, all suggests that it was reasonable for Fair Finance to conclude that the monthly payments to this loan were affordable.

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

However, for the reasons I've explained, I don't think Fair Finance irresponsibly lent to Mrs C or otherwise treated her 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.

As this is the case, I cannot reasonably and do not uphold this complaint. I appreciate this is likely to be very disappointing for Mrs C as its clear she feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Mrs C's complaint, I would remind Fair Finance of its continuing obligation to exercise forbearance and due consideration, given what it now knows about her situation. Given the length of time it has been since Fair Finance last considered matters, I think that a further review, taking account of Mrs C's current circumstances and what if anything she may be able to pay to the balance remaining on the account, is now likely to be necessary. I would encourage Mrs C to co-operate with any such steps that will be required to assess what the next steps from here should be.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 5 January 2026.

Jeshen Narayanan
Ombudsman