

The complaint

Mr S complains that My Finance Club Limited gave him a loan he couldn't afford to repay.

What happened

In August 2023 My Finance Club gave Mr S a loan for £400. The full repayment of £592 was due to be paid 60 days later in October 2023.

Mr S says he couldn't afford to sustainably repay the loan. He feels the checks My Finance Club completed before lending weren't extensive enough. He has also questioned the accuracy of some of the information My Finance Club has said it relied on.

My Finance Club considered the complaint but didn't agree. It argued it completed proportionate checks before agreeing to lend. And it said as a result of those checks, it was reasonable to lend. Mr S didn't agree and so he referred his complaint to our service.

Our investigator also thought that My Finance Club completed proportionate checks before agreeing to lend and that based on the information the checks uncovered, it made a fair lending decision. Mr S didn't agree and so the complaint has been passed to me to consider.

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, I'm not going to uphold this complaint. I appreciate that this will be disappointing for Mr S.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Mr S' complaint.

My Finance Club needed to make sure it lent responsibly to Mr S. It therefore needed to complete sufficient checks to determine if Mr S could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Generally, we think that earlier in a lending relationship it would be reasonable for a lender's checks to be less extensive. However, we might expect a lender to do more, for example, if

a borrower's income was low or the amount lent was high.

Before agreeing this loan, My Finance Club took details of Mr S' income and verified this by requesting a copy of his recent payslip. It also asked Mr S for details of his regular expenditure (and used credit bureau information to verify this) and completed a credit search. I think the checks My Finance Club completed before agreeing this loan were proportionate. This was a relatively low loan and Mr S had two months to repay the full amount owed of £592 (so £296 per month). The steps taken would have enabled My Finance Club to have gained a reasonable understanding of his regular income and high-level expenditure, together with seeing how he was managing his existing credit commitments. And so, I think this was a sufficient degree of checks to determine if Mr S could reasonably have afforded to repay the loan.

However, together with completing proportionate checks, My Finance Club still needed to respond appropriately to the information it uncovered. Mr S' verified net monthly income (based on his payslip) was £3,662 and it also asked questions about his regular expenditure. My Finance Club took figures from Mr S for housing, utilities, food, transport, existing credit commitments and other costs. It then used credit bureau information to verify this, which was likely to have been using statistical average expenditure information. Based on the information uncovered, the expenditure information looked reasonable and suggested Mr S had substantial disposable income to repay the loan.

My Finance Club also completed a credit search. It said that the results didn't show Mr S had any outstanding defaults or CCJs, suggesting he didn't have recent problems managing his money. So based on the results of the checks, My Finance Club determined Mr S could afford to repay the loan.

Mr S has raised a number of concerns about the results of the checks. He's said that the declared amount for housing costs is wrong. My Finance Club has said he declared £557, however Mr S has said his monthly rent was £1,155 and he wouldn't have declared a lower amount. He's also highlighted that some of the other declarations are lower than his actual position and queried why he would apply for a £400 loan if he had such substantial disposable income. Mr S has said that if My Finance Club had completed further checks it would have seen his actual position was substantially different and he couldn't have afforded this loan.

I appreciate what Mr S has said in this regard, however the checks My Finance Club were required to complete needed to be proportionate to the credit being advanced. In this case this was a relatively low loan which needed to be repaid over quite a short period of time, so I wouldn't have expected My Finance Club to complete the level of checks Mr S has described. Furthermore, the relevant rules (set out in the Consumer Credit Sourcebook in the FCA's Handbook) allow a lender to rely on information provided by an applicant so long as it was reasonable to do so.

I think the majority of the declarations were reasonable to rely on. I accept, as Mr S has said, that he had higher existing monthly credit commitments than the £200 declared. Looking at the credit results My Finance Club has provided, this doesn't seem to show the monthly repayment amounts, only total balances. However, based on this it's arguable that My Finance Club may have wanted to increase the existing credit expenditure figure. But I think that even if it had, the loan would've still appeared affordable for Mr S. Mr S has also said he had defaults on his credit file, however from what he's said, these don't seem to be recent defaults. And My Finance Club has said that its results show no *outstanding* defaults which may account for this discrepancy.

In addition, I note Mr S disputes the rent amount stated and believes My Finance Club halved the actual figure. Whilst it's close, the amount stated isn't half of the actual figure Mr S has provided. Furthermore, My Finance Club has said this was the amount Mr S declared and as explained above, it was entitled to rely on information where it was reasonable to do so, and it think it was in this case. I don't think it was proportionate for My Finance Club to verify this amount further. Mr S has said his credit file results would have shown My Finance Club what his actual rental payment was. However, this information isn't typically recorded on credit file search results, and in any event, I can't see it on the results My Finance Club has provided.

So taking everything into consideration and for the reasons explained above, I think My Finance Club completed proportionate checks. And based on the information the checks revealed, I think it was reasonable for it to have given Mr S this loan. So I think My Finance Club made a fair lending decision.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think My Finance Club lent irresponsibly to Mr S 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 explained, I don't uphold this complaint against My Finance Club Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 October 2025.

Claire Lisle
Ombudsman