

The complaint

Mr W complains through a third part representative that My Finance Club Limited (MFC) irresponsibly lent to him. Mr W also says the lending resulted in an unfair relationship.

What happened

MFC lent Mr W five loans, from the information provided, the details of the loans are as follows:

Loan no:	Start date	Loan amount	Term	Repayment	End date
1	08/02/2021	£400	38 days	£521.60	01/12/2021
2	29/08/2022	£400	38 days	£521.60	02/10/2022
3	27/12/2022	£400	38 days	£521.60	23/01/2023
4	10/07/2023	£100	60 days	£148	21/08/2023
5	24/08/2023	£400	30 days	£496	14/05/2024

Mr W complained to MFC but it didn't uphold any part of his complaint, MFC said it carried out sufficient checks and those checks showed each loan was affordable for Mr W. So, Mr W referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators who didn't think MFC was wrong to lend any of the loans.

Mr W's representative disagreed, they said Mr W's credit file showed he was in arrears on his largest credit account and this should have caused MFC to take its checks further to verify Mr W's circumstances.

Ultimately, Mr W's representatives asked for an ombudsman to decide the complaint and so it 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

MFC is aware of its obligations as a lender as explained in the regulator's handbook, so I don't intend to go into all the details about its duty. In summary, MFC is required to take reasonable steps to ensure that it didn't lend irresponsibly. There isn't a prescriptive level of checks to ensure responsible lending and in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that MFC should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

MFC has provided details of the checks it carried out before lending. I can see that for each of the loans, MFC asked Mr W about his monthly income and living costs. It searched Mr W's credit file and asked him about his housing.

MFC says Mr W told it that he lived with his parents and his income varied from £2,354 to £3,658 over the lending period.

For loan 1, Mr W's monthly living costs including credit commitments were around £1,650. The results of the search into his credit file showed he had a hire purchase agreement which showed the payment was late by a month. There was no information about defaults or county court judgements recorded at the time of the loan. I can also see that Mr W's payments were up to date on his other credit commitments.

I've thought about whether Mr W's profile in this case should have prompted further checks and I'm not satisfied that his circumstances or the results of his credit search showed that he was struggling financially, and ought to have immediately prompted MFC to take its checks further. In this instance, Mr W was left with over £180 disposable income after repaying this loan. I'm also mindful of his living arrangements which likely would have meant he had less costs compared to someone who was renting. I don't think one late payment in these circumstances meant that MFC's checks didn't go far enough.

I think the checks here were sufficient and those checks showed Mr W could afford to repay his loan. I understand Mr W struggled to repay this loan due to him losing his job during the pandemic and so it took him longer to repay the loan. However, this wasn't something MFC ought to have been aware of at the time it agreed to lend.

There was a gap of around eight months before Mr W took out loan 2. I think that gap was sufficient for MFC to consider that Mr W's financial circumstances had improved compared to when he struggled to repay loan 1.

Mr W's declared living costs including credit commitments varied from £825 to £1,250 for loans 2 – 5 and I can see that MFC verified Mr W's income through his payslips before agreeing to lend loan 5. At that time, his income was around £3,100.

Looking at the results of the credit search for loans 2, Mr W was in a similar position to loan 1 in that he had a late payment showing on his hire purchase account but I'm also mindful that the balance had reduced compared to the time of loan 1 which shows Mr W was making repayments to the account regularly. There was nothing else with the results of the search for loan 2 that was concerning.

By the time MFC searched Mr W's credit file at the times of loans 3 – 5, payments on all his accounts were up to date. For loans 2 – 5, Mr W's expenses were lower than his income and he was left with sufficient disposable income after making his loan payments.

Overall, I think MFC's checks for loans 1 – 5 went far enough and those checks show Mr W could afford each loan at the time the decision to lend was made. Based on this, I don't think MFC was wrong to lend any of the loans, so I won't be asking it to take any actions to put things right for Mr W.

Did MFC act unfairly/unreasonably in some other way?

I've also considered whether MFC acted unfairly or unreasonably in some other way, including whether its relationship with Mr W might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think MFC lent irresponsibly to Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I do not uphold Mr W's complaint and make any awards against My Finance Club Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 January 2026.

Oyetola Oduola
Ombudsman