

The complaint

Mr M complains that My Finance Club Limited (“MFC”) irresponsibly lent to him.

What happened

MFC provided Mr M with three short-term loans as follows:

Loan number	Loan amount	Date provided	Repayment date	Term	Total repayable
1	£250	18 March 2024	24 May 2024	60 days	£370
2	£200	17 June 2024	2 August 2024	50 days	£280
3	£500	2 August 2024	Outstanding	51 days	£704

Mr M complained to MFC. In summary, he said MFC were irresponsible to lend to him because:

- Each time he paid off a loan, he took another out, showing he was dependent on the loans.
- He was struggling with funds at the time and couldn’t keep up with all the repayments on his debt.
- Making repayments towards these loans left him with too little money so he had to keep borrowing in order to pay for priority bills.
- His credit file showed he was obtaining a high number of payday loans.

In its final response, MFC didn’t uphold Mr M’s complaint. In summary, it said it had lent responsibly for each of the loans, after carrying out its checks. Mr M didn’t agree and so referred his complaint to our service.

Our Investigator didn’t uphold the complaint. In summary, they said the checks carried out were proportionate and the lending fair for each of the loans.

Mr M didn’t agree. He reiterated some of his previous complaint points and also said, in summary:

- Although he may have been paying his payday loans off on time, he did this by using money from other lenders.
- MFC shouldn’t have provided a loan for a much higher amount compared to the typical amount he was borrowing.
- The reality of his situation was that he had around £2,800 to £3,000 in expenses and also, around £1,200 to £1,300 worth of unsecured credit commitments. MFC would have known this, had it correctly viewed his credit file and his bank accounts, rather than just checking his payslip.
- His disposable income was much lower, otherwise, Mr M says, he wouldn’t have required the loans to begin with.
- He’s had another complaint with similar circumstances upheld by our service.

The Investigator responded to say, in summary, that MFC were not required to check Mr M's bank statements and therefore it couldn't have known about everything Mr M had mentioned. And having another complaint upheld doesn't automatically mean that this complaint would also be upheld.

Mr M maintained his credit file would have shown a reliance on payday loans and it ought to have been a red flag that he took out another loan, as soon as one was paid off.

Because the parties couldn't agree, the complaint has been passed to me to decide on the matter.

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 carefully considered everything provided, I'm not upholding Mr M's complaint. I appreciate this will come as a disappointment to him, but I'll explain why I've reached this outcome.

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

Mr M was provided with high-interest loans, intended for short-term use. MFC needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr M could afford to sustainably repay before providing the loan.

Generally, it might be reasonable and proportionate 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 it didn't continue to lend to its customer irresponsibly.

Before providing each loan, MFC obtained information about Mr M's income and expenditure and carried out a credit check.

Loan 1

Loan 1 was provided in March 2024 for £250, with a total amount repayable of £370 in 60 days.

Mr M declared his monthly income to be £3,500 and his committed monthly living expenses to be: £900 for housing, zero for utilities, £450 for groceries, £125 for transport, £651 for credit commitments and £235 for "other". I can see MFC was able to verify Mr M's income and his rental agreement via credit bureau information. Mr M's declared expenses totalled £2,361, leaving him with a disposable monthly income of £954. This is after putting aside £185 per month for two months in lieu of making the £370 total repayment due for this new lending.

MFC's credit check showed Mr M didn't appear to be overly indebted – he had around £9,041 in existing credit balances; £6,393 in revolving credit and £2,648 owed on an unsecured loan, as well as a hire purchase agreement which he paid around £353 a month towards. Considering this, Mr M's declared monthly credit commitments of £651 seem reasonably likely to be accurate. Although he was exceeding the credit limit on one of his credit cards at the time, he otherwise appeared to be managing his existing credit well, with no arrears or other adverse information showing. It isn't clear whether the unsecured loan showing was a payday loan as MFC's credit check doesn't differentiate what sort of loan it is – it's unlikely given the amount owing. But, even if it was, I don't think MFC's credit checks support what Mr M is saying about being reliant on payday loans.

I also want to highlight that this was Mr M's first loan with MFC. So, I don't think that there was any established pattern in Mr M's borrowing needs at this stage.

Taking all of the above into account, I think MFC's checks show this lending was likely affordable. MFC asked Mr M about his income and outgoings and its calculations suggested Mr M would likely be left with a large disposable income each month. MFC was able to verify Mr M's income and rental commitments and the expenditure figures Mr M provided seem reasonable. Particularly in context of the fact he didn't appear to be overly indebted and had generally been managing his existing credit well.

Considering all of this, in light also, of the relatively modest loan being provided, I think MFC's checks were proportionate – and the lending fair.

Loan 2

Loan 2 was provided in June 2024 for £200, with a total amount repayable of £280 in 50 days.

Mr M declared his monthly income to be £3,500 and his committed monthly living expenses to be: £900 for housing, £225 for utilities, £450 for groceries, £125 for transport, £743 for credit commitments and £235 for "other". MFC verified Mr M's income and his rental agreement via credit bureau information. Mr M's declared expenses totalled £2,678, leaving him with a disposable monthly income of £654. This is after putting aside £168 towards the total payment due on this new lending, of £280. The second month would therefore require Mr M to put aside a lower amount of £112.

MFC's credit check showed that Mr M's existing external debt had increased by the time loan 2 was provided. From what I can see, he now owed a total of around £12,749, comprised of around £8,074 in revolving credit balances and around £4,675 in unsecured loans. He also had the monthly commitment of around £353 a month towards his hire purchase agreement. It's quite likely this time that Mr M had taken out other payday loans, possibly two or three, looking at the relatively low amounts showing for some of his unsecured loans.

Again, generally, Mr M appeared to be managing his existing credit well. Apart from exceeding his credit limit on a mail order account by a few pounds at the time of this lending, he didn't have any arrears or other adverse data showing. Whilst his overall debt had increased, considering how he'd been managing existing debt, alongside his likely sizeable disposable monthly income, I'm satisfied he didn't appear to be overindebted.

Whilst Mr M did now have an existing relationship with MFC, it's fair to say he'd paid loan 1 off, seemingly without undue difficulty. Loan 1 was also for a higher amount than loan 2 – and so he'd already demonstrated he could repay off a larger loan. Although there was a relatively short gap between the two loans, loan 1 doesn't appear to have been rolled into

loan 2. So, taking all of this together, I'm not persuaded Mr M had entered into a pattern of unsustainable borrowing with MFC.

Despite his increased external debt, after taking all of the above into account, I think MFC's checks show this lending was likely affordable for loan 2. MFC asked Mr M about his income and outgoings, and it was able to verify his income and rental commitments. The expenditure figures Mr M provided also seem reasonable. MFC's calculations suggested Mr M would likely be left with a large disposable income each month. And this is all in context of the checks suggesting he didn't appear to be overly indebted and had generally been managing his existing credit well.

Similar to loan 1, considering all of this, in light also, of the relatively modest loan being provided, I think MFC's checks were proportionate – and the lending fair.

Loan 3

Loan 3 was provided in August 2024 for £500, with a total amount repayable of £704 in 51 days.

Mr M declared his monthly income to be £3,750 and his committed monthly living expenses to be: £900 for housing, £225 for utilities, £450 for groceries, £125 for transport, £936 for credit commitments and £235 for "other". MFC verified Mr M's income and his rental agreement via credit bureau information. Mr M's declared expenses totalled £2,871, leaving him with a disposable monthly income of £464.88. This is after putting aside £414.12 in lieu of making the £704 total payment due for this new lending. The second month would therefore require Mr M to put aside a lower amount of £289.88.

MFC's credit check showed Mr M's external debt had increased slightly since loan 2 – to around £13,968 – and, similar to before, he was also committed to paying around £353 per month towards his hire purchase agreement. Whilst his revolving credit balances had reduced to around £7,927, his unsecured loan balances had risen to around £6,041.

Whilst Mr M's overall debt had increased, I'm satisfied he didn't appear to be overindebted. Importantly, MFC's credit checks demonstrated Mr M appeared to be managing his existing credit well. This time, all of Mr M's accounts were up to date with no evidence of his credit limits being exceeded. And, similar to before, he didn't have any arrears or other adverse information showing. Whilst there may have been some other payday loans appearing on Mr M's credit check, he also had credit cards, a mail order account and possibly some longer-term loans.

Mr M had also declared a higher amount for his credit commitments and, whilst Mr M has now said this figure was in fact higher, the figure he'd declared of £936 doesn't seem unrealistic compared to what MFC could see Mr M owed on existing balances. So, I think MFC would have likely understood that Mr M had accurately increased his monthly credit commitments figure, in line with the increase in his overall indebtedness. And I think therefore it would have been reasonable for MFC to rely on this information. MFC again, had also verified Mr M's income and rental commitments and its disposable income calculations suggested the repayment for this loan was affordable.

I recognise that loan 3 was for a higher amount compared to loans 1 and 2 - and it was taken out straight after loan 2. But I don't think there was a pattern of unsustainable borrowing here. Mr M had borrowed less for loan 2 compared to loan 1, so he wasn't necessarily borrowing more with each loan. Mr M had also settled loan 2 early and it had been repaid without any obvious repayment difficulties. I think MFC could reasonably consider this as showing a good payment history. So overall, I don't think the quick uptake of

loan 3, nor the increased borrowing amount would have concerned MFC. And I'm not persuaded it would have been proportionate for MFC to have carried out further checks at this point.

So, overall, taking everything into account, I think it was reasonable for MFC to have relied on what Mr M had declared as well as the information it had verified, and the credit checks it had carried out. These checks showed Mr M had sufficient disposable income to afford loan 3. And, I don't think there was anything obvious, in the information MFC had, to suggest Mr M wouldn't be able to sustainably repay this loan.

I'm therefore satisfied that the checks for loan 3 were also proportionate – and the overall lending fair.

I'm sorry to hear Mr M did later go onto have problems paying loan 3. I understand that when he contacted MFC, he explained he'd had a change in circumstances as he'd changed his job and experienced a decrease in earnings. There may have also been other reasons Mr M couldn't make the payments towards this loan. But for the reasons I've explained, I don't think this would have been foreseeable to MFC at the time of lending and therefore I don't think it did anything wrong.

I can also understand why Mr M would question the outcome of this complaint, if another complaint has been upheld, and that appears to have similar circumstances or is based on similar complaint points. But like our Investigator has said, this doesn't mean that this complaint will also be upheld. Each complaint is considered on its own merits and it's highly unlikely that any case will be exactly the same as another. I'm also not bound by any decision made by another Ombudsman nor by any outcome reached by an Investigator.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MFC lent irresponsibly to Mr M 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 explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 January 2026.

Sophie Kyprianou
Ombudsman