

## **Complaint**

Mrs G has complained about a loan North Edinburgh and Castle Credit Union Limited (trading as Castle Community Bank ("CCB")) provided to her. She says that repaying this loan has caused her significant financial problems and having to borrow further money.

## **Background**

CCB provided Mrs G with a loan for £5,000.00 in September 2023. This loan had an APR of 23.12% and had a 60-month term. This meant that the total amount to be repaid of £8,141.53, which included interest, fees and charges of £3,141.53, was due to be repaid in 59 monthly payments of £135.21 followed by a final monthly payment of £164.14.

One of our investigators reviewed what Mrs G and CCB had told us. And she eventually reached the conclusion that CCB hadn't done anything wrong or treated Mrs G unfairly. So she didn't recommend Mrs G's complaint be upheld.

Mrs G disagreed and asked for an ombudsman to look at 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 G's complaint.

Having carefully considered everything, I've decided not to uphold Mrs G's complaint. I'll explain why in a little more detail.

It's important to note that Mrs G's agreement was unregulated and so CCB's obligations aren't exactly the same as those for most lenders. In particular, as it is a Credit Union, CCB's specialist sourcebook is the Credit Unions sourcebook ("CREDS") rather than the Consumer Credit Sourcebook ("CONC"), given it wasn't carrying out credit-related regulated activities when providing this loan to Mrs G.

Nonetheless, as it is a firm authorised by the Financial Conduct Authority ("FCA") and it was lending funds that it had received from its members, I consider it fair and reasonable to expect CCB to have carried out reasonable enquiries into Mrs G's circumstances to check that she'd be able to make the payments to this loan.

I'd also only expect it to have proceeded with Mrs G's application in the event that those reasonable enquiries demonstrated that she could make the required monthly payments. After all, there had to be a reasonable expectation that it would be able to recover the funds being lent.

I've kept this context in mind when reviewing Mrs G's complaint.

The first thing for me to say is that CCB not only asked Mrs G for details about her income, it also cross checked what it had against information from credit reference agencies on the amount of funds going into her main bank account each month. CCB also carried out a credit check to assess Mrs G's indebtedness.

The credit check did show that Mrs G had some existing debts. But it's fair to say that this wasn't enough in itself to clearly show that Mrs G shouldn't have been lent to. Furthermore, I can't see that Mrs G had any significant adverse information – such as defaulted accounts or county court judgments – recorded against her.

Nonetheless, it could be argued that the level of Mrs G's indebtedness, meant that CCB ought to have found out more about Mrs G's actual living costs rather than relying on statistical data. However, I'm not persuaded that doing this would, in any event, have made a difference.

I say this because the information Mrs G has provided, appears to show that when her identifiable committed regular living expenses are combined with what she was paying to her credit commitments, and then deducted from her income she did have the funds to be able to make the repayments due under this agreement.

So even having considered the information in Mrs G's bank statements, which CCB didn't actually have to request or review, given what they show about Mrs G's committed and non-discretionary expenditure and the amount of the monthly payment for this loan, it doesn't seem immediately apparent to me that the repayments were unaffordable.

I also need to consider what CCB is likely to have learnt if it had found out more before it decided to lend. And if CCB had done this here, which there is a reasonable argument for saying it didn't need to, I think it's more likely than not that it would have concluded that the monthly payments were affordable for Mrs G.

I accept that Mrs G's circumstances may have worsened after she took this loan. I note that she contacted CCB in February 2024 to say that she was having difficulty making her payments due to being in and out of hospital as a result of pregnancy complications. I'm sorry to hear what Mrs G has said about her health and the resultant difficulty making her payments.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And I don't think that CCB could possibly be expected to have known that Mrs G would experience the difficulties that she would go on to, or that the payments to this agreement were unaffordable. This is especially bearing in mind that fair and reasonable checks are unlikely to have shown that this was the case.

Finally, in reaching my conclusions, I've also considered whether the lending relationship between CCB and Mrs G could have been unfair to Mrs G and any potential impact of section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think that CCB unfairly lent to Mrs G or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that any potential impact of section 140A CCA should it be applicable or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I'm not upholding this complaint. I appreciate this will be very disappointing for Mrs G. 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 G's complaint, I would remind CCB that it is fair and reasonable to expect it to consider what Mrs G has now said about her circumstances and having difficulty making her payments, in relation to the amount owed.

I would also encourage Mrs G to get in contact with and co-operate with any steps that may be needed to review what she might, if anything, be able to repay going forward. Mrs G may be able to complain to us – subject to any jurisdiction concerns – should she be unhappy with CCB's actions in relation to any payment difficulties she may have over the remainder of the loan term.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 11 August 2025.

Jeshen Narayanan  
**Ombudsman**