

The complaint

Mr W complains that Salary Finance Ltd (Salary Finance) irresponsibly entered into a fixed sum loan agreement with him that he could not afford to repay.

What happened

In July 2024, Mr W applied for a loan with Salary Finance. He was given a loan for £3,500. The total repayable, including the interest was £4,885.31, to be repaid over 36 monthly repayments of around £135.

Mr W complained that Salary Finance shouldn't have provided him with the loan. He said that appropriate affordability checks hadn't been completed and if they had Salary Finance would've seen that the loan was unaffordable for him. Salary Finance didn't think that it had acted unfairly when lending to Mr W.

Our investigator didn't recommend that the complaint should be upheld. They thought Salary Finance had completed proportionate affordability checks and there was nothing in the checks that suggested Mr W wouldn't be able to afford the borrowing.

Mr W didn't agree. His main reason being that more thorough checks should've been completed to show his true financial position. So the complaint has been passed to me for a final decision.

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.

There isn't a set list of checks Salary Finance was required to complete before lending to Mr W. The rules require it to ensure it carried out proportionate checks. What is proportionate will vary with each lending decision and takes into account things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

Mr W declared his annual income to be around £27,000. Salary Finance verified Mr W's monthly income to be around £1,830. The credit check completed by Salary Finance showed Mr W had unsecured lending elsewhere of around £11,500. Salary Finance estimated Mr W's monthly repayments towards these debts to be around £335. Using statistical data Salary Finance estimated Mr W's monthly living expenses to be around £875. After taking into account the monthly repayment for this loan, Salary Finance calculated Mr W's monthly disposable income to be around £480.

However, having seen a copy of the credit check completed by Salary Finance at the time of the loan application, it is clear Mr W had in place a repayment arrangement for an overdraft. I can't see that Salary Finance took into consideration what Mr W was regularly paying towards this arrangement when calculating the monthly repayments that he was making towards his existing debts. I think Salary Finance should've done this and if it had it would

have calculated the monthly disposable income left for Mr W would still have been more than £400. I think that is a reasonable amount of monthly disposable income for Mr W to use as a buffer, in case of emergencies and unplanned spending. Based on this I think it's fair that Salary Finance considered Mr W could comfortably and sustainably afford the monthly repayments towards this loan.

Other than the repayment arrangement in place for the overdraft explained above, the credit check shows no other adverse information in the previous two years. The check revealed that in the previous six months prior to the loan application, Mr W had settled three other loans and hadn't taken out any new borrowing, so his monthly debt repayments had recently considerably reduced. From this I think it's fair that Salary Finance thought Mr W was managing his accounts well, his debts were reducing and there were no signs of any financial struggles.

Other than the repayment arrangement on one of his overdrafts (which had been implemented over a year earlier) there was nothing concerning on Mr W's credit file recently, such as signs of repayment difficulty or concerning increases to borrowing. In fact, Mr W had substantially reduced his borrowing, including the overdraft he was in an arrangement with. I don't think there was any reason for Salary Finance to have carried out more thorough checks. For the same reasons, I don't think there was anything in the checks that it completed that ought to have caused it concern about Mr W's ability to afford the borrowing, especially with the amount of disposable income it had calculated. Therefore, I'm not persuaded it acted unfairly when it approved the loan for £3,500.

I note that Mr W says that he was gambling at the time of the application. I'm not disputing the impact this can have on an individual's finances, and I'm sorry Mr W was struggling with it. However, I have not seen anything to suggest that Salary Finance either knew this, or ought to have known. I don't think there was anything in the checks it did that ought to have prompted any further checks, such as a manual review of Mr W's bank statements.

I also note that Mr W says he took out borrowing prior to the application for this loan, which wasn't visible on his credit file, but which Salary Finance should've considered as part of its assessment into his affordability for the loan. The credit check would've searched for all recent borrowing and if the debts that Mr W refers to were not visible, I don't think it's reasonable that Salary Finance should've known about them, unless Mr W had declared them at the time of his application. As explained above, I think that the checks Salary Finance completed were proportionate for this borrowing and it wasn't required to do anything more in these circumstances.

In reaching my conclusions, I've also considered whether the lending relationship between Mr W and Salary Finance might have been unfair to Mr W under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Salary Finance did not lend irresponsibly when providing Mr W the loan account, or otherwise treat him unfairly in relation to this matter. And I haven't seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

While it'll likely come as a disappointment to Mr W. I won't be upholding his complaint against Salary Finance Ltd for the reasons explained above.

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

Jenny Hiltunen
Ombudsman