

Complaint

Miss R has complained about a loan Brent Shrine Credit Union Limited trading as My Community Bank ("MCB") provided to her. She says that loan was unaffordable and this led to her relying on her overdraft to manage her finances.

Background

MCB provided Miss R with a loan for £15,000.00 in December 2021. This loan had an APR of 15.93% and had a 36-month term. This meant that the total amount to be repaid of £19,225.84, which included interest, fees and charges of £4,225.84, was due to be repaid in 35 monthly payments of £519.03 followed by a final payment that cleared the remaining balance.

One of our investigators reviewed what Miss R and MCB had told us. And she thought that MCB hadn't done anything wrong or treated Miss R unfairly. So she didn't recommend Miss R's complaint be upheld.

Miss R 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 Miss R's complaint.

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

MCB needed to make sure that it acted fairly and reasonably towards Miss R. As part of this, it needed to take reasonable steps to ensure that the monthly loan payments were affordable for her. In practice, what this means is MCB needed to carry out sufficient enquiries into Miss R's circumstances to be able to have a reasonable understanding of whether she could afford to make her monthly repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable 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 that it didn't continue to lend to a customer irresponsibly.

MCB says it agreed to Miss R's application after she provided details of her income. It says it also carried out a credit check to assess Miss R's existing indebtedness and used statistical data to get an idea of Miss R's regular living expenses. In its view, this information showed Miss R could afford to make the repayments she was committing to. Miss R says the repayments were unaffordable and she had to live in her overdraft as a result.

I've carefully thought about what Miss R and MCB have said.

The first thing for me to say is that MCB not only asked Miss R for details about her income, it also carried out a credit check to assess Miss R's indebtedness. These searches did show that Miss R had some existing debts. But it looks like she was going to consolidate some of her existing borrowing into this loan. Furthermore, I can't see that Miss R had any significant adverse information – such as defaulted accounts or county court judgments – recorded against her.

It could be argued that the level of Miss R's indebtedness, meant that MCB ought to have found out more about Miss R'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 Miss R 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.

I need to consider what MCB is likely to have learnt if it had found out more before it decided to lend. And if MCB had done this here, I think it's more likely than not that it would have concluded that the monthly payments were affordable for Miss R.

I can see that Miss R's circumstances changed after she took this loan. For example, she's moved from her parents and now has a dependant. I'm sorry that Miss R has had difficulty making payments. But the key here is that 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 MCB could possibly be expected to have known that the payments to this agreement were unaffordable, 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 MCB and Miss R might have been unfair to Miss R under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think that MCB irresponsibly lent to Miss R or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA if applied or anything else would, given the facts of this complaint, lead to a different outcome here.

So I'm not upholding this complaint. I appreciate this will be very disappointing for Miss R - particularly as she feels strongly about this complaint. 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 Miss R's complaint, I would remind MCB of the continuing expectation in relation to exercising forbearance and due consideration, given Miss R has said about having difficulty making her payments and her being in a debt management plan.

I would also encourage Miss R 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 should MCB

wish to reconsider reducing what's owed. Miss R may be able to complain to us – subject to any jurisdiction concerns – should she be unhappy with MCB's actions going forward.

My final decision

For the reasons I've explained, I'm not upholding Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 29 August 2025.

Jeshen Narayanan
Ombudsman