

## **The complaint**

Mr B complains that Salary Finance Limited (“SFL”) irresponsibly lent to him. Mr B says the lending was approved without proper consideration of his ability to afford it and SFL granting the loan made his financial circumstances worse.

## **What happened**

From the information provided, SFL lent Mr B two loans in 2021. In October 2021, SFL lent Mr B loan 1 for £6,000 with a term of 36 months and a monthly repayment of £218.39. SFL lent Mr B loan 2 in December 2021, this loan repaid the outstanding balance on loan 1 and provided some extra cash to Mr B. Loan 2 was for £8,774.65, it had a 60-month term with monthly repayments of around £221.

When Mr B complained to SFL about its decision to lend, it didn’t uphold his complaint so Mr B referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator thought SFL wasn’t wrong to lend 1 but thought it shouldn’t have lent Mr B loan 2. So, our investigator recommended that only Mr B’s complaint about loan 2 should be upheld. SFL accepted the investigator’s outcome, but Mr B didn’t fully accept it.

Mr B accepts that only loan 2 should be upheld but he has said the lending has caused him distress and believes SFL should pay him some compensation for the distress and inconvenience the lending caused him. Our investigator didn’t agree with this as she thought the redress for loan 2 was sufficient in the circumstances.

Mr B thought his circumstances hadn’t been fully taken into account so he asked for an ombudsman to make a 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.

I’ve also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn’t set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A lender should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

As explained above, the investigator didn't recommend that Mr B's complaint about loan 1 should be upheld, Mr B hasn't disputed this finding. While I don't think there's a continuing dispute about loan 1, I've considered the lending decision and having done that, I've reached the same conclusions as the investigator. This was Mr B's first loan with SFL and the repayment represented a small proportion of Mr B's verified income. SFL worked out that Mr B's monthly living expenses including credit commitments were around £1,181 and his monthly income was £2,017, this would have left him with sufficient disposable income to make his monthly repayments. So, I don't think SFL was wrong to lend this loan.

Both parties agree that SFL shouldn't have lent loan 2 and it has agreed to put things right for Mr B in line with what I think is fair and reasonable in the circumstances.

So, the only issue left to decide is whether in addition to the steps SFL has agreed to take for lending loan 2 when it shouldn't have, it needs to pay Mr B further compensation for the distress and inconvenience he has said he suffered.

Mr B has said the lending causes him significant financial strain and negatively impacted his family life. Mr B says this was made more difficult by the fact that he was also the primary carer for family members.

I don't doubt what Mr B has said I can imagine that having to struggle to repay a loan would have been difficult for him. However, the redress agreed to by SFL seeks to put him back in the position he would have been had the loan not been granted. Essentially, Mr B had access to the capital and has made use of this, so it is fair that he repays that, however, it is unfair for SFL to keep any interest fees and charges over and above the capital amount Mr B borrowed when it shouldn't have lent to him in the first place.

The role of this service is to consider whether a business has done wrong and if it has, to ask the business to put things right for the consumer. We are unable to punish businesses or put consumers in a more profitable position than they would otherwise have been. In this case, Mr B suffered a financial loss and the redress accounts for this. The issues he has raised that he believes warrants a distress and inconvenience payment in my opinion, weren't things that SFL was aware of or that it should have reasonably foreseen. I can't see there was any point prior to making a complaint Mr B made SFL aware that he was struggling with keeping up with his repayments.

So, while I feel for Mr B, given the difficulties he has said he faced, I don't think SFL needs to make further payments for distress and inconvenience. I think the steps it has agreed to take does enough to put Mr B back in the position he'd have been but for the loan. I won't be asking SFL to take further steps beyond redress for loan 2.

### **Putting things right**

SFL has sold the debt so it needs to buy it back and take the following steps to put things right for Mr B. If it can't buy it back then it should liaise with the debt purchaser to ensure the steps are taken.

Where a business has lent when it shouldn't have, the aim of the redress is to put a consumer back in the position they'd have been had the loan not been taken. In this case, Mr B has had use of the funds and so as this can't be returned, I think a fair way to put things right will be for Mr B to pay back any capital amount he'd had from loan 2. In essence Mr B shouldn't pay any interest, fees and charges attached to the upheld loan.

It is unclear if Mr B has now fully repaid the loan, if he has, then SFL should refund any interest, fees and charges on loan 2 along with interest at 8% per year simple on the payments from the date they were paid, if they were, to the date of settlement†.

However, if there's still an outstanding balance, SFL should remove interest fees and charges applied to loan 2 and treat any payments made by Mr B as payments towards the capital amount. If this results in overpayments, these should be paid to Mr B with interest at 8% per year simple on the payments from the date they were paid, if they were, to the date of settlement†. If there's an outstanding balance, then SFL should work with Mr B to agree a repayment plan to repay the capital amount borrowed.

Once the capital has been repaid, SFL should remove any adverse information recorded on Mr B's credit file about loan 2.

†HM Revenue & Customs requires SFL to take off tax from this interest. SFL must give Mr B a certificate showing how much tax it has taken off if he asks for one.

*Has SFL acted unreasonably in some other way?*

I've also thought about whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974, however, I'm satisfied the redress I have directed above results in fair compensation for Mr B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

For the reasons given above, I uphold Mr B's complaint in part and direct Salary Finance Limited to put things right as set out above.

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

Oyetola Oduola  
**Ombudsman**