

The complaint

Mrs B is complaining that Brent Shrine Credit Union Limited trading as My Community Bank (MCB) lent to her irresponsibly by providing her with three personal loans.

What happened

MCB granted three loans to Mrs B - £8,000 in October 2021, £6,000 in June 2022, and £10,000 in June 2023.

Mrs B complained to MCB in October 2024, saying they shouldn't have given her a loan as it was unaffordable.

MCB responded, saying they had carried out appropriate checks before lending to Mrs B in June 2023. MCB said they were satisfied that Mrs B's loan wasn't issued irresponsibly, and they didn't uphold her complaint.

Mrs B wasn't happy with MCB's response, so she brought her complaint to our service. When she did so, she made it clear that she was complaining about all three loans given to her by MCB, not just one. She said she's had to stop making repayments to MCB and has defaults on her credit file as a result. MCB reviewed what had happened with the other two loans and provided a further response to Mrs B. This was broadly the same as their response in relation to the June 2023 loan. So, Mrs B remained unhappy, and one of our investigators looked into her complaint.

Our investigator's view was that MCB hadn't done enough to check the loan repayments would be affordable for Mrs B. But, she said, even if they'd done more thorough checks, they'd still have been able to fairly decide each loan was affordable. Our investigator based this on an income and expenditure assessment she carried out using Mrs B's bank statements.

Mrs B wasn't happy with our investigator's view. In particular she said our investigator had included in her assessment income that wasn't hers to use – it included various benefits including Disability Living Allowance (DLA) that she received on behalf of her son. Mrs B asked for her complaint to be escalated – and it's come to me for 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.

Having done so, I'm not upholding Mrs B's complaint for broadly the same reasons as our investigator. I appreciate this will be very disappointing for Mrs B, especially as she's struggling financially, but I'll explain more below.

What's required of lenders?

Mrs B's loan agreement with MCB is an exempt agreement and therefore isn't subject to all the usual consumer credit regulations. But the agreement is subject to the provisions set out in the FCA's Credit Unions Sourcebook (CREDS).

Chapter 7 of CREDS says a credit union must maintain and implement a prudent and appropriate lending policy and that this should consider the handling of applications for lending. And it says it seeks to protect the interests of credit unions' members in respect of loans to members. Taking all this together, it's clear the FCA recommends that a credit union's lending policy needs to protect members' interests. This suggests the credit union needs to check whether a loan would be sustainably affordable for an applicant as well as the creditworthiness of that applicant – as the members' interests wouldn't be protected if the applicant later defaulted on their loan.

In summary, it's reasonable to assume that before providing this loan MCB needed to consider Mrs B's financial circumstances and the affordability of the loan for her.

Did MCB carry out reasonable checks?

Loan 1 – October 2021 - £8,000

In her application, Mrs B said her annual income was £20,000. MCB ran automated checks which looked at Mrs B's data from her application and from CRAs. They verified her income and estimated Mrs B's disposable income – they said her credit commitments were calculated automatically from Mrs B's credit file, and her other expenditure was estimated using data from the Office for National Statistics (ONS).

Whether or not these checks were proportionate depends on factors such as the size and term of the loan, and on what MCB found. The loan required Mrs B to pay back around £11,500 over five years, at a rate of £186 per month. So, it was a large loan over a long term.

The credit report MCB sent us shows Mrs B had two unsecured loans, as well as a mail order account. The total amount she owed was around £11,600. Whilst the credit report shows Mrs B was maintaining her accounts well, it also shows that one of the loans was taken out five months before her application to MCB, and the other just one month before.

Given the size of the proposed loan compared to Mrs B's annual income and the fact that Mrs B had taken out two other sizeable loans in the six months prior to MCB's lending decision, I'm not satisfied MCB's checks went far enough. The proceeds from the loans would likely have impacted their automated income assessment and the amount Mrs B had borrowed recently suggested the statistical data obtained from ONS might not be applicable to her.

Loan 2 – June 2022 - £6,000

This time, Mrs B said in her application that her annual income was £26,000. The loan required Mrs B to pay back around £9,500 over five years, at a rate of around £156 per month.

MCB's credit report shows that Mrs B had likely used their first loan to consolidate existing debts. Her total debt at this point was £11,355 – made up of the first MCB loan, two

additional unsecured loans, and a mail order account. Again, the credit report shows that Mrs B was managing her accounts well.

But this application was just eight months after Mrs B's last loan from MCB, and she'd also obtained a loan from another finance provider just three months prior to her application for this one. MCB said Mrs B had said the purpose of the loan was debt consolidation – but that wouldn't have made sense as the interest rate on this new loan was higher than on her existing debt. As with the first loan, then, I'm not satisfied MCB's checks went far enough – the proceeds from the recent loan would likely have impacted an automated income assessment, and the stated purpose of the loan didn't correlate with Mrs B's circumstances. In addition, Mrs B's application shows that she'd changed address very recently – so it was likely that her financial circumstances were changing.

Loan 3 – June 2023 - £10,000

This time, Mrs B said in her application that her annual income was £38,000. The loan required Mrs B to pay back around £20,000 over five years, at a rate of around £330 per month. So, this was a substantially larger commitment than the previous two loans MCB had granted.

MCB's credit report shows Mrs B's total debt at this point was around £19,300 – made up of the first two MCB loans, three additional unsecured loans, three credit cards and a mail order account. Again, the credit report shows that Mrs B was managing her accounts well. But her mail order account was at its credit limit, and all three credit cards had been obtained within the preceding six months, with the latest being just one month before this application. Again, then, I'm not satisfied MCB's checks went far enough – this loan was a substantial commitment, and the credit file data shows Mrs B was continuing to increase her debts at a significant rate – suggesting that she might have been experiencing difficulties covering her day to day living costs.

If MCB had carried out further checks, what would they have found?

Mrs B provided her bank statements for the three months leading up to each loan. I'm not saying MCB needed to review Mrs B's bank statements – they could have obtained further information using different documents or conversations with Mrs B. But I've reviewed the bank statements as it gives me the clearest picture of her financial circumstances at the time and therefore what MCB might have found if they'd done further checks.

Loan 1

In the three months leading up to this loan, Mrs B's average employment income was around £1,460 per month. She also received child benefit and DLA on a regular basis and had some other ad-hoc receipts.

Based on her credit report, Mrs B needed to pay around £280 per month to her existing creditors, and she was also paying £95 per month at the time to HM Revenue & Customs (HMRC). She contributed towards household expenditure mostly via payments to her partner at the time, which on average were around £290 per month. But she also had direct debits totalling around £160 per month. So, her disposable income before covering costs of food and fuel was around £635 per month taking into account just Mrs B's employment income. After deducting the repayments needed for this new loan (in case Mrs B didn't consolidate her existing debts), this would have been around £450. I'm satisfied this would have been

enough to cover Mrs B's other essential spending, particularly considering she had income from child benefit and DLA to help with the additional costs in relation to her children.

So, in relation to Loan 1, I'm not persuaded MCB should have found this was unaffordable and I'm not upholding this aspect of Mrs B's complaint.

Loan 2

I've look at this in a similar way to Loan 1. This time, Mrs B's average employment income was around £2,100, her existing credit commitments were around £420 per month, she was contributing around £320 per month towards household expenses and had other direct debits and standing orders totalling around £150 per month. After deducting the repayments under this new loan of £156 per month, Mrs B would have been left with disposable income of around £1,050 to cover her costs of food, fuel and other essential spending. This doesn't include Mrs B's income in relation to child benefit or DLA.

Mrs B had just moved house at the time of her application. She's told us she went from a shared rental to being a sole tenant (with her children). So if MCB had looked into this, it would have been reasonable to assume Mrs B's expenses would increase significantly from her £320 per month contribution towards household expenses. But I'm satisfied the £1,050 disposable income would have been enough to cover a reasonable estimate of Mrs B's likely increased expenses, especially when considering she received additional contributions in relation to her children.

I also acknowledge that Mrs B's bank statements show she was using some short-term revolving credit in the lead up to this application to MCB. I can't say MCB would necessarily have become aware of this. But, even if they had, I'm satisfied they'd still have been able to determine the loan was likely affordable for Mrs B as I've outlined above.

Loan 3

By this point, Mrs B was receiving some universal credit as well as her employment income, child benefit and DLA. On average, her total income from universal credit and her employment income (but excluding child benefit and DLA) was around £3,330 per month.

Mrs B's expenditure had changed significantly, and she was now paying £950 per month in rent and £560 per month on average in bills (including council tax, water, utilities, and communications). Her credit commitments according to her credit file were around £720, and the repayment due under this new loan would be £330. Deducting all of these from Mrs B's regular income suggests she'd have had around £770 left to cover food, fuel, and other essentials. Again, I'm satisfied MCB would have been able to fairly decide this was enough, particularly considering she had other financial support to help cover costs in relation to her children.

Conclusion

So, in summary, whilst I'm not persuaded MCB carried out enough checks before lending to Mrs B, I do think they could have fairly decided to lend to her on each occasion if they had. For the avoidance of doubt, I haven't included any income in relation to child benefit and DLA in my assessment.

Have CCB treated Mrs B unfairly in any other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974 (Section 140A). However, for the reasons I've already given, I don't think CCB lent irresponsibly to Mrs B or otherwise treated her 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

As I've explained above, I'm not upholding Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 30 October 2025.

Clare King
Ombudsman