## The complaint

Miss P is complaining that Brent Shrine Credit Union Limited trading as My Community Bank (MCB) lent to her irresponsibly by providing her with a personal loan.

## What happened

In March 2024, Miss P applied for a loan with MCB. They lent her £15,000 over a four-year term. The loan required Miss P to make 47 monthly repayments of around £500, followed by a final payment to clear the balance.

Miss P complained to MCB in October 2024, saying they shouldn't have given her the loan as it was unaffordable. She said she had a poor credit rating and they should have rejected her application.

MCB responded, saying they had carried out appropriate checks before lending to Miss P. They said they'd reviewed Miss P's credit file and used credit reference agency (CRA) data to verify her income. They said they'd used data from the Office for National Statistics (ONS) to estimate Miss P's general expenditure and calculated her monthly payments to existing creditors from her credit file. They said they'd also used an automated assessment from the CRA which considered a customer's existing indebtedness and whether additional lending might cause harm. MCB said they were satisfied that Miss P's loan wasn't issued irresponsibly, and they didn't uphold her complaint.

Miss P wasn't happy with MCB's response, so she brought her complaint to our service. In doing so, she said she took this loan out to consolidate other high interest debts. She thought MCB should have made sure she'd still have been able to afford the repayments on this loan even if she didn't consolidate her existing debts. And she thought, given the size of the loan, they should have carried out additional checks rather than just confirming her income. She said she can't afford her bills and it's been a very stressful period.

One of our investigators looked into the complaint but didn't uphold it. In summary, her view was that MCB had done enough checks and made a fair lending decision. Miss P remained unhappy. She said her expenditure was much higher than MCB had estimated and the agreement definitely wasn't affordable. She thought given the size of the loan they should have confirmed her actual expenditure, perhaps via bank statements. She added that she was paying nursery fees at the time.

Miss P also said she used the loan to pay off her credit cards, but, as was foreseeable, then built up her debts again. She thought MCB should have required her to cancel her credit cards or clearly warn her of the risks of not doing so and felt their failure to do this amounted to unfair treatment. Miss P asked for an ombudsman's decision – and the complaint's been passed to me.

## 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 Miss P's complaint for broadly the same reasons as our investigator. I appreciate this will be very disappointing for Miss P, especially as she's struggling financially, but I'll explain more below.

*What's required of lenders?*

Miss P's loan agreement with MCB is an exempt agreement and therefore isn't subject to all the usual consumer credit regulations. MCB's actions in relation to the agreement are also not subject to the Financial Conduct Authority's (FCA's) Principles, because those only apply when a firm is carrying out a regulated activity. 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 Miss P's financial circumstances and the affordability of the loan for her.

*Did MCB carry out reasonable checks?*

In her application, Miss P said her annual income was £67,000. MCB ran automated checks which looked at Miss P's data from her application and from CRAs. They verified her income as being at least £3,990 per month, and they found no concerning information on her credit file. MCB also estimated Miss P's disposable income – they said her credit commitments were calculated automatically from Miss P'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 Miss P to pay back nearly £24,500 over four years, at a rate of £500 per month. So it was a large loan, but the repayments were a relatively small proportion of Miss P's monthly income.

The credit report MCB sent us only shows Miss P's active accounts at the time of the lending decision. It shows Miss P was keeping up with her payments and was within the credit limit on all of her accounts, with an average utilisation on her credit cards of around 75%. Whilst it shows Miss P had missed some payments, these were at least two years ago.

The credit report shows Miss P had credit card debts totalling around £22,700, a hire purchase agreement with around £4,400 outstanding, unsecured loans totalling around £6,500 and other debts totalling around £1,500, most of which was for mail order and deferred payment accounts. It also shows Miss P was near the limit of her overdraft. But, other than the deferred payment credit, it showed she'd taken out no new agreements recently. On the face of it, the credit file suggests that although Miss P was quite heavily indebted, with total debts of around £35,000, she likely wasn't in financial difficulties at the time she applied to MCB for the loan. And, when comparing Miss P's total debts to her annual income, I can understand why MBC weren't concerned. Their threshold for the ratio of total debt to annual income is 90% and Miss P's was well within that and would continue to be even if she didn't consolidate her debts as she intended.

Miss P also sent us her own credit report. I can't say MCB ought to have obtained data from more than one CRA. They're entitled to assume that any individual CRA will give a reasonably accurate summary of a consumer's credit history. But because the data MCB sent only shows Miss P's active accounts, I reviewed Miss P's credit report to see whether MCB ought to have been aware of any adverse information on any of Miss P's closed accounts. I didn't see anything that I thought ought to have concerned MCB.

In relation to Miss P's income, MCB didn't simply accept Miss P's figure, they verified it using an automated check which is widely used by lenders in the United Kingdom. So I can't say they should have done more to verify Miss P's income.

Miss P also thinks MCB should have found out about her actual expenditure rather than relying on statistical data. But in the circumstances, I don't think this was necessary. Although she had quite high levels of debt, these were within MCB's thresholds. And once Miss P's credit commitments (including repayments for this new loan) were deducted from her net income, she had over £2,000 per month to cover her living expenses. The statistical data suggested she would need around £1,600 of this. I haven't seen anything in the details MCB obtained that suggests Miss P's non-discretionary expenditure would be significantly higher than the averages set out in the ONS data. And this calculation allowed for Miss P's non-discretionary expenditure to be up to £400 per month higher than MCB estimated even without taking into account her stated intention to consolidate her debts.

On balance, I think MCB did carry out enough checks. Although they were automated, this doesn't make them insufficient. MCB checked Miss P's income, reviewed her credit file, and estimated her disposable income, finding no adverse information.

*Did MCB make a fair lending decision?*

Having decided that MCB carried out enough checks, I have to consider whether their decision to lend to Miss P was fair.

MCB explained that when making lending decisions, they calculate a maximum monthly instalment. They do this by deducting a customer's credit commitments, housing costs, and expenditure from their net monthly income, and then deducting a buffer of between £50 and £200.

MCB told us they verified Miss P's income as being around £3,990 per month. And this aligns with what I'd expect given tax rates at the time and Miss P's stated annual salary of £67,000. MCB also haven't explained how they calculated Miss P's credit commitments. But, given the balances they saw on Miss P's credit file, I'm satisfied the figure they used was reasonable.

MCB said they estimated Miss P's monthly rent at £750, her credit commitments at around £1,414, and her other living costs as around £860. This would leave Miss P with £966 of disposable income from which to make the £500 per month payments due under this loan agreement. This leaves a buffer of around £466 – well above MCB's policy that the buffer should be between £50 and £200. I'm satisfied MCB acted fairly in deciding this was enough and that the loan was affordable for Miss P.

I appreciate Miss P's told us her non-discretionary expenditure was higher than MCB estimated. She said she had nursery fees to pay, and I can see that her rent was significantly higher than the statistical average that MCB used. I can understand Miss P's perspective. But I can't say MCB should have been aware of this – there was nothing in Miss P's credit file to suggest she was struggling. And, whilst MCB didn't factor it into their assessment, it would have been reasonable for them to expect that Miss P's credit commitments would reduce given she was intending to pay off existing debt with the loan.

*Have CCB treated Miss P unfairly in any other way?*

Miss P added that she thought MCB should have required that she close her credit card accounts after paying them off, or warned her of the risks of not doing so. But their affordability assessment didn't take into account any potential reduction in Miss P's spending arising from debt consolidation – it included all her existing credit commitments as well as the repayments under the new agreement. So, from MCB's perspective, the risks would have been limited. And although I can understand Miss P's suggestion that MCB could have done more to help her consolidate her debts more effectively, I'm not persuaded that MCB acted unfairly in not doing so.

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 Miss P 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 Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 15 October 2025.

Clare King
**Ombudsman**