

The complaint

Mr W complains that My Finance Club Limited trading as Fazaty (“MFC”) gave him a loan with gathering sufficient evidence of his financial situation.

What happened

In May 2024, Mr W was given a loan for £400 which was to be repaid 60 days later (in July 2024) with a repayment of £592. Mr W has had problems repaying the loan and an outstanding balance remains due.

MFC considered Mr W’s complaint and didn’t uphold it, saying the checks it did showed the loan to be affordable, and it hadn’t treated Mr W unfairly when agreeing repayment plans with him. Unhappy with the response, Mr W referred the complaint to the Financial Ombudsman.

The complaint was then reviewed by an Investigator who didn’t uphold the complaint. Mr W didn’t agree with the outcome saying at the time he had defaults on his credit file and he’s provided screen shots of his credit file to show this. As no agreement has been reached, the case has been passed 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.

We’ve set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website. I’ve taken these into account when considering this complaint.

Firstly, I’m sorry to have read of the problems Mr W has had with his employer as well as his health at the time this loan was approved. I’ve not gone into any more detail here to protect his privacy, but I do hope things have improved for Mr W.

MFC had to assess the lending to check if Mr W could afford to pay back the amount he’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. MFC’s checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr W’s income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest MFC should have done more to establish that any lending was sustainable for Mr W. These factors include:

- Mr W having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- Mr W having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr W coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr W. The Investigator didn't consider this applied in Mr W's case and I would agree, given there was only one loan.

MFC was required to establish whether Mr W could *sustainably* repay the loan – not just whether he technically had enough money to make his repayment. Having enough money to make the repayment could of course be an indicator that Mr W was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Before the loan was approved, Mr W said he earned £2,250 per month. MFC also says Mr W's income was electronically verified which suggested the income he had declared was likely to be accurate. For this loan I don't think MFC needed to have carried out any further checks into Mr W's income.

Mr W has said is that there were some difficulties at work at this time, but that wouldn't and couldn't have been known because in the circumstances of this case, the check into his income was proportionate.

In terms of monthly expenditure, Mr W provided details about his expenditure across several different categories such as, utilities, food and other credit commitments– to name a few. MFC says Mr W's outgoings came to £1,223 per month. Based on the information it had to hand, the loan looked affordable as Mr W had sufficient disposable income to afford the repayment.

MFC also says it used the credit file – which I come on to below – to cross check the expenditure information Mr W had provided. No adjustments were made by MFC indicating that what Mr W had provided about his personal circumstances was accurate.

MFC also carried out a credit search and it provided the results it received from the credit reference agency. It is worth saying here that although MFC carried out a credit search, there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what MFC couldn't do is carry out a credit search and then not react to the to the information it received – if necessary.

What this does mean is that MFC may only ask for and see certain pieces of information and as such may not have seen all the information that Mr W can see in his own credit report. Indeed, this is really the crux of the issue in this complaint.

Mr W says and has provided evidence that at the time he had a number of defaults recorded against him. I've checked MFC's credit file data and it does show a number of defaults. Looking at the dates in the MFC data, I've been able to match the defaults up with the screen shots Mr W provided.

However, many of these defaults were historic – for example they were mainly between 2019 and 2021 – and so given at a minimum that was around three years before the loan with MFC was approved I think it would've been reasonable for MFC to have placed less weight on the defaults as an indicator that Mr W was having, or likely having, financial difficulties at the time.

I can see from the screen shot that Mr W defaulted on an account in December 2023 – this was a personal loan and only a matter of months before this loan was advanced. However, that loan account doesn't appear in the credit check results provided by MFC.

There are a number of reasons why this may have happened but the most likely is the other loan provider reported to a different credit reference agency. Based on what I've seen, MFC wasn't aware of the 2023 default and as such couldn't have considered it as part of the affordability assessment.

Overall, I am satisfied that the credit check results wouldn't have been overly concerning for MFC. Taking account of the credit search results there wasn't any indication that Mr W would likely to struggle to repay the MFC loans, and there wasn't anything to suggest that he was reliant on such products.

There had been some missed payments on some recent accounts, but considering the type of loan that Mr W was granted it's not unusual or unheard of for there to have been such problems. As such, I don't think the missed payments MFC was told of would've led to a different outcome here. This has led me to conclude that the credit searches on their own wouldn't be enough to have prompted further, more in-depth checks, or to decline the loan application.

Overall, given there was only one loan, it was reasonable for MFC to have relied on the information that Mr W provided about his income and expenditure and the results of the additional checks it conducted. In my view, the checks MFC carried out were proportionate and showed Mr W should be able to afford his repayments. There also wasn't anything else to suggest that the loan would either be unaffordable for him or unsustainable.

Other considerations

I've noted what Mr W has said about the collection activity and what has happened with this loan – but based on the contact history provide by MFC, I'm satisfied it reacted to the information it was told and treated Mr W fairly by agreeing a number of repayment plans. I consider Mr W was treated fairly.

Mr W has also said the interest rate on the loan is too high and he now owes more than the credit agreement stipulated. I've considered this but it's not led me to change the outcome of the complaint. The industry regulator implemented a cost cap for these types of loans. This means a lender can't collect more than 100% of the amount advanced. Looking at the circumstances of this complaint the most MFC would've been able to collect was £800.

I've noted the cost of the loan – if payments were repaid as per the agreement – they would've resulted in a total to repay of less than the permitted cost cap. However, Mr W couldn't make the repayment as it became due and so additional charges were levied in line with the credit agreement. As such, the total amount he would now need to repay is £800 – less anything he's already paid.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MFC lent irresponsibly to Mr S or otherwise treated him 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.

An outstanding balance may still remain due and I would encourage both parties to try and come to a mutually agreeable way forward – if they haven't already done so. I would also remind MFC of its obligation to treat Mr W fairly and with forbearance.

I do not uphold Mr W's complaint about the loan.

My final decision

For the reasons set out above, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 February 2026.

Robert Walker
Ombudsman