

The complaint

Miss B is complaining that NHS (Scotland and North England) Credit Union Limited trading as NHS Credit Union (“NHSCU”) lent to her irresponsibly.

What happened

In September 2021, Miss B applied for a loan with NHSCU, saying the purpose of it was to consolidate existing debts. They lent her £10,300 over a five-year term. The loan required Miss B to make 59 repayments of around £265 per month.

In November 2021, NHSCU lent Miss B a further £1,050 for emergency car repairs. The repayments required for this loan were £29 per month, for 52 months.

In July 2022, NHSCU topped up Miss B’s debt consolidation loan with a further £3,300, taking the total balance on it to around £12,500 and increasing the payments on this loan to £321 per month. This was followed in November 2022 by a further top-up of £5,100, also for debt consolidation. Including this, Miss B’s total loan balance on the debt consolidation loan was around £17,400 and her monthly instalments were £451 – she also continued to repay the smaller loan.

Miss B complained to NHSCU in April 2025, saying they shouldn’t have given her the loan. She said at the time she had poor credit history. And her view was that if NHSCU had done appropriate checks when she’d applied, they would have rejected her applications.

NHSCU responded in detail, saying they’d carried out comprehensive affordability assessments before lending to Miss B. They said they worked with her to try to help her manage her borrowing in a more sustainable way. And they said they’d paused all interest and charges when she later entered into a Debt Arrangement Scheme (DAS). NHSCU noted that Miss B had taken out significant additional borrowing with other lenders after they’d stopped lending to her. And they offered more assistance to Miss B if she needed it.

Miss B wasn’t happy with NHSCU’s response, so she brought her complaint to our service. In doing so, she commented on having been able to top up her loan several times, saying the cumulative effect of repeat lending had worsened her situation.

One of our investigators looked into the complaint but didn’t uphold it. In summary, his view was that NHSCU had done enough checks and made fair lending decisions. Miss B remained unhappy. In summary, she said:

- the pattern of lending demonstrates that the loans weren’t sustainably affordable
- NHSCU’s affordability assessments overstated her disposable income and didn’t reflect her actual cost of living
- the repeat loans worsened her financial position and had a significant negative impact on her wellbeing

Miss B asked for the complaint to be referred to an ombudsman – and it’s come 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 B's complaint for broadly the same reasons as our investigator. I appreciate this will be very disappointing for Miss B, and I'm very sorry to hear she feels NHSCU's loans have negatively impacted her wellbeing, but I'll explain more below.

What's required of lenders?

Miss B's loan agreements with NHSCU are exempt agreements and therefore not subject to all the usual consumer credit regulations. For example, NHSCU didn't need to comply with the Financial Conduct Authority's (FCA's) consumer credit sourcebook, CONC, when deciding whether to lend to Miss B. 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 the members' interests wouldn't be protected if the applicant later defaulted on their loan.

NHSCU shared a copy of their lending policy with us. This says that when assessing all loan applications, they consider the member's ability to repay (looking at disposable income), the member's past savings and borrowing record, their credit history with other lenders, the dependability of income sources, and the purpose of the loan. And it specifies what documentation they need to obtain before approving a loan. I've taken this into consideration when deciding Miss B's complaint.

Loan One – September 2021

Before lending to Miss B, NHSCU obtained her credit report, payslip, bank statements, and credit card statements. They completed a detailed income and expenditure assessment using the information they'd obtained. I can't say they should have obtained more information.

The credit report NHSCU obtained showed that Miss B had balances totalling around £25,000. Of this, around £14,200 related to a car finance agreement, around £8,400 was the balance outstanding on an unsecured loan, and the rest was made up of some smaller loan balances and some relatively small credit card, overdraft and mail order balances. Miss B had experienced some arrears on a mail order account, but she'd missed no other payments in the preceding twelve months, and this account had been brought back up to date a few months before her application to NHSCU. In addition, the credit report showed Miss B was only using around 25% of the available limit on this revolving credit. So, there's no evidence from the credit report that Miss B was experiencing financial difficulties at the time.

I can see Miss B's net pay for August 2021 was around £1,600. And, looking at the year-to-date figures on her payslip, I'm satisfied this was representative of her usual pay.

Looking at Miss B's bank statements, I'm satisfied NHSCU's income and expenditure assessment considered all her essential and committed spending and also factored in a significant sum for discretionary expenditure. Miss B said it's clear her actual spending was higher than NHSCU calculated. But I can't say they should have taken into account all discretionary spending – it would have been reasonable to expect that Miss B would prioritise paying creditors over spending on non-essentials.

So, in summary, Miss B didn't appear to be in financial difficulties. And the purpose of this loan meant that Miss B's monthly payments to creditors would be around £330 per month lower in total going forward. So, it was reasonable for NHSCU to believe their loan would improve Miss B's day-to-day financial position and that the repayments would be readily affordable for her. I'm therefore satisfied NHSCU acted fairly in approving this loan.

Loan 2 – November 2021

NHSCU carried out much the same checks in November 2021 as they had in September 2021 – obtaining Miss B's credit report, bank statements, and a recent payslip, and completing a detailed income and expenditure assessment using this information.

The information NHSCU obtained showed that Miss B's circumstances hadn't changed significantly since September 2021. Her income had decreased a little, and her total debt had increased by about £1,000. But her repayments to creditors had reduced significantly because of the debt consolidation loan NHSCU had previously provided. And the repayments needed under this loan were just £29 per month, which appeared easily affordable for Miss B at the time. So, I'm satisfied NHSCU acted fairly in approving this loan.

Loan 3 – July 2022

NHSCU again checked Miss B's credit report, bank statements and a recent payslip. And they completed a further income and expenditure assessment taking into account what they found.

These checks showed that Miss B's total debts had increased significantly – to around £38,000 in total. Miss B had changed vehicles and around £24,000 of this debt related to a new hire purchase agreement for which Miss B needed to pay around £344 per month. But the credit report showed that Miss B was managing all her payments to creditors well. Her payslip suggested her income had increased, and her bank statements showed significant discretionary spending with no evidence of financial difficulties. The income and expenditure assessment NHSCU completed appeared to miss some essentials (for example car insurance and phone costs), but even if these had been included, this would have showed Miss B had plenty of disposable income.

This was a second debt consolidation loan and Miss B told NHSCU that she'd use it to pay off two of her credit cards. Her repayments to NHSCU increased by around £55 per month because of the loan, but the loan was intended to replace debts against which Miss B had told NHSCU she was paying around £140 per month. I can't see that NHSCU checked the balances on the debts Miss B said she'd pay off, but I'm not persuaded it would have made a difference if they had – Miss B did have more than £3,300 in unsecured credit that could have been consolidated. And if she'd done that successfully, the loan would have improved her day-to-day finances. On balance, I'm satisfied that NHSCU acted fairly in approving this loan.

Loan 4 – November 2022

NHSCU completed the same checks as they had previously. I can also see that this time they did check the balances of the debts Miss B said she'd consolidate and decided to pay some of her creditors directly. The checks showed that Miss B's total debts had increased by a further £1,500 since July 2022. And they showed that although Miss B had used the previous loan to repay some of her debts, she'd then continued to use those credit cards instead of closing the accounts. So, I can understand why Miss B says NHSCU shouldn't have continued to lend to her.

NHSCU's notes show that they were concerned about Miss B's pattern of borrowing and her spending. But they also had conversations with Miss B about the support they could provide to help her reduce her spending. They were of the view that this loan and the associated support would help her to get her finances in order.

In addition, NHSCU's checks did suggest the repayments would be affordable for Miss B – her essential expenditure continued to be low, and this loan, like the previous one, was intended to consolidate existing debts, and therefore was expected to have a positive impact on her disposable income. Miss B's bank statements showed that she continued to have extensive discretionary spending. And, overall, it wouldn't have appeared that her debts had yet reached an unmanageable level. NHSCU did place a restriction on Miss B's account preventing her from accessing any further lending from them within the next nine months.

Taking everything together, I'm satisfied NHSCU acted fairly in approving this loan.

Conclusion

In summary, then, I'm satisfied NHSCU carried out enough checks before lending to Miss B on each occasion. These checks showed that Miss B had reasonable levels of disposable income and that she ought to have been able to manage the repayments needed for each loan. Whilst the checks did show that Miss B's debts increased over time, I'm not persuaded they'd reached an unmanageable level by the time of NHSCU's final loan approval. In addition, it does appear that NHSCU offered to support Miss B with managing her spending. I'm not persuaded they acted unfairly or unreasonably in lending to Miss B. And I'd note they've charged Miss B no interest since May 2023.

Have NHSCU treated Miss 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 NHSCU lent irresponsibly to Miss 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 Miss B's complaint about NHS (Scotland and North England) Credit Union Limited trading as NHS Credit Union.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 8 January 2026.

Clare King

Ombudsman