

The complaint

Mr K complains East End Fair Finance Limited trading as Fair Finance (Fair Finance) approved him for multiple loans that were unaffordable. He says the credit put him in financial difficulties and contributed towards him entering into a Debt Management Plan.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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, and I acknowledge it will come as a disappointment to Fair Finance; I'm upholding this complaint for broadly the same reasons as our Investigator. I'll explain why.

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr K's case.

First, Fair Finance have presented its case in a lot of detail, and I thank it for that. I'm aware I've summarised this complaint in less detail in parts than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every detail here, to be able to reach what I think is the right outcome that's reasonable in the circumstances of this complaint.

For all the loans approved for Mr K, I think Fair Finance gathered enough information before providing the credit, given the amount of credit it offered and what it knew about Mr K's financial situation.

But, based on the information Fair Finance gathered and what it knew about Mr K's circumstances, I think it should've looked more closely into the information it'd obtained about Mr K's financial circumstances, and it ought to have seen he was likely to be unable to sustainably repay what he was being lent.

I've decided the credit wasn't provided fairly because:

Loan 1

- Fair Finance requested access to Mr K's bank account statements and his credit file prior to making its lending decision. They verified his monthly income to be around £1,114, the same as the amount he declared. Then, using a combination of Mr K's declared expenditure and statistical data, they found him likely to have a disposable

income of around £430 a month.

- Mr K's bank account statements show his expenditure was higher and on review, Fair Finance say his adjusted expenditure was around £963 a month, leaving him around £150 a month as disposable income. Although the loan was short term, this left Mr K around £10 a month after accounting for the loan repayment of around £140. I don't think this was sufficient for it to decide the loan was sustainably affordable.
- Fair Finance say customers can and do adjust types of spending that could be considered discretionary but given the history of defaulted accounts seen on Mr K's credit file, I don't think it was reasonable for it to have relied on him doing this in order to afford the repayments sustainably. And while he might have been actively reducing his outstanding liabilities, that doesn't mean it was responsible to afford him further credit.

Loan 2

- Again, I think Fair Finance knew enough about Mr K's circumstances to reach a lending decision, but I think it should've seen he was likely to be unable to sustainably repay what he was being lent.
- Given Mr K took out the second loan around a week after having repaid his initial loan early, I think this ought to have caused Fair Finance some concern.
- On this occasion, while Mr K was expected to repay around £75 a month, he was borrowing more and over a longer term.
- I don't think it's unreasonable to think Mr K's circumstances would more likely than not have been similar to the point at which he took out his first loan, only two months prior.
- While Fair Finance revised Mr K's income to be slightly higher, he'd declared his income to be the same as his prior application, but that his expenditure had since increased – by around the same amount that Fair Finance could see he'd since committed to a home credit finance agreement taken out only one month prior.
- Based on Fair Finance's previously adjusted expenditure for only two months prior, and accounting for Mr K's commitment to the new credit agreement he'd since taken on, I think they could reasonably have concluded he'd likely be left with a negative disposable income of around £8 a month.

Loans 3 and 4

- Both loans 3 and 4 were for £600 taken out in August 2021 over a 10-month term. Loan 3 required repayments of around £77 a month but was settled prior to an instalment being due. Repayments to loan 4 were around £84 a month.
- Looking at the statements which Fair Finance assessed, Mr K could be seen to have essential expenditure averaging at around £927 a month. This included payments to his rent, food and travel, media and communications accounts and insurances.
- Mr K could also be seen to be making payments to his existing creditors averaging around £198 a month. In addition, he could be seen to have received the proceeds of a high-cost loan he'd taken out within the three months prior to these applications.

- Aside from seeing the high-cost loan on the bank statements, Fair Finance could see this on the credit file it obtained along with seeing Mr K had also taken out two new credit cards, a mail order account and a communications loan three months prior.

Loan 5

- Here the statements showed that Mr K could be seen to have essential expenditure averaging at least £965 a month, in addition to making repayments towards his existing creditors averaging around £90 a month. This left him with a disposable income each month of around £128, from which he was expected to repay around £109 a month for the new agreement.
- In addition, Mr K could be seen to have taken out a further pay-day style loan and a communications loan since Fair Finance last approved him for lending.

From loan 6 onwards, Fair Finance were aware Mr K had a dependant so it's reasonable for them to have understood his expenditure was likely to increase, alongside him also starting to receive child benefit payments into his account, in addition to his income.

Loan 6

- For this loan Mr K's statements showed his income had increased slightly but that his expenditure was significantly more as well.
- Essential expenditure averaging at least £1,187 a month could be seen, in addition to his commitments to existing creditors of around £75 a month. This left him with a disposable income each month of only around £51 – less than the repayments he was being asked to make.
- Mr K could be seen to have taken out a further pay-day style loan and a new credit card since Fair Finance last approved him for lending.

Loan 7

- By this point Mr K's income could be seen to have increased again, but his statements also showed him being in receipt of the proceeds of another high-cost loan into his account.
- Essential expenditure averaging at least £1,385 a month could be seen, in addition to his commitments to existing creditors of around £43 a month. This left him with a disposable income each month of only around £85 – again less than the repayments he was being asked to make.

Loan 8

- The statements obtained by Fair Finance in order to assess this lending decision showed Mr K receiving the proceeds of a further external loan since they last approved lending for him. His credit report also shows him having opened multiple other loans, pay-day style loans, credit cards and mail order accounts within the same period.
- Mr K's essential expenditure could be seen to be averaging at least £1,284 a month, in addition to his commitments to existing creditors of around £191 a month. This left him with a disposable income each month of only around £84 – but he was being asked to repay around £100 each month.

- While Mr K had started with a new employer prior to this application, from the information it gathered, I'm satisfied it had sufficient information to ought reasonably have seen the loan was unlikely to have been sustainably affordable for him, nor was it responsible to provide him further credit.

Loan 9

- For the final loan, Fair Finance could see Mr K's income had significantly increased but so had his repayments to existing creditors. On average he could be seen to be repaying around £838 a month, alongside his other essential expenditure of around £1,397 a month. This left Mr K with around £48 disposable income each month.
- For this loan, Mr K's statements show the proceeds of another loan crediting his account. His credit report also showed him having taken out multiple pay-day style loans, credit cards and loans, one of which alone was for £14,500.

So, in summary, for all loan applications, I think Fair Finance could reasonably have determined from the information it had, that Mr K didn't have sufficient disposable income to sustainably afford the repayments.

I'm satisfied Fair Finance ought also to have seen, especially when assessing the later loans, that his existing pattern of borrowing, both with them, and externally, was highlighting both him showing he was developing an increasing reliance on credit, and signs of him being in financial difficulties.

This means I don't think Fair Finance should have provided any of the loans to Mr K.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr K in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think Fair Finance should've lent to Mr K, it's not fair for him to pay any interest or charges under the agreement. But Mr K has had use of the funds so it's fair he pays the capital he borrowed.

To put things right, Fair Finance should:

- refund any overpayments Mr K paid towards the agreements, in excess of the total capital he borrowed. Fair Finance should add 8% simple interest per year from the date of each overpayment to the date of settlement; and
- remove any adverse markers from his credit file, if any, regarding the agreements.
- If any capital balance remains outstanding, Fair Finance should arrange an affordable and suitable payment plan with Mr K, removing any adverse markers once the debt is cleared.

If Fair Finance consider tax should be deducted from the interest element of my award they should provide Mr K a certificate showing how much they've taken off so that Mr K can reclaim that amount, assuming he is eligible to do so.

As Mr K is currently in an active IVA and the practitioner has an interest in any redress due from this complaint, Fair Finance will need to ensure any surplus refund is paid to the practitioner directly.

My final decision

My final decision is that I'm upholding this complaint and East End Fair Finance Limited trading as Fair Finance must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 9 March 2026.

Sean Pyke-Milne
Ombudsman