

The complaint

Mr G complains that My Finance Club Limited (MFC) irresponsibly lent to him, charged high interest on his loan and didn't make clear what interest he'd be paying. He thinks MFC ought to have stopped charging him interest once he'd complained. Mr G also said he didn't apply for a loan with MFC.

Mr G was provided the loan through a third-party company – but for ease, I'll refer to MFC throughout my decision.

What happened

MFC provided Mr G with a short-term single payment loan for £400 in July 2024. The loan, which had interest of £192 was due to be repaid in full with a single payment of £592 due around 60 days later.

Mr G complained to MFC. In summary, he said MFC charged very high interest on a loan that he didn't actually apply for.

In its final response letter, MFC didn't uphold Mr G's complaint. In summary, it said the details of the loan, including the interest, were clearly stated on the loan contract which Mr G signed. And that it was satisfied Mr G had applied for the loan himself – it said Mr G's contact with MFC asking to delay his repayment confirmed this.

When submitting his complaint to this service, Mr G said MFC didn't check affordability, and he was irresponsibly lent to. He also said MFC didn't mention the high interest charged on this loan and he can't afford to pay it. Mr G said MFC didn't stop the interest when he complained.

To support its position, MFC provided our service with screen shots of its system showing the customer journey when applying for a loan as well as copies of documentation it says were shared with Mr G such as the loan agreement. We've also seen the statement of account and payment plan confirmation.

Following a request for information made by our Investigator, MFC provided the loan application data, details of the credit report search and the income and expenditure assessment it carried out. We've also seen a copy of the internal system notes for Mr G's account showing the contact between Mr G and MFC.

Our Investigator considered both what Mr G and MFC had said. They didn't uphold Mr G's complaint. In summary, they said the checks MFC carried out before providing Mr G with the loan were proportionate. And, that it made a fair decision to lend based on the information it saw at the time of lending. They said there was nothing to suggest MFC ought to have realised Mr G was experiencing any underlying financial difficulty. In relation to Mr G's complaint about the interest being high, the Investigator said MFC made Mr G aware of the interest on the loan at the time of applying – and Mr G agreed to the terms. So he was aware of what the loan would cost him and agreed to taking out the loan.

Mr G didn't agree with the Investigator and requested a final decision on this complaint. He said he didn't apply directly to MFC and didn't sign any documents from MFC. He also said that when he told MFC about his financial difficulties as the loan interest was high and unaffordable, MFC didn't stop the interest on the loan accruing.

The Investigator responded to Mr G, explaining he'd had taken out the loan with MFC via a third party – and given he'd contacted MFC asking it to delay his repayment date, it seemed he was aware he'd taken out a loan with MFC. The Investigator also shared the loan agreement with Mr G which they said had been electronically signed. And the interest on the loan plus any additional charges were clearly set out in the loan agreement – which Mr G had agreed to. In response to Mr G's comments about financial difficulties, the Investigator said Mr G hadn't told MFC he was in financial difficulty at any point.

The Investigator also referred to the price cap on high-cost short term credit, introduced by the regulator, the Financial Conduct Authority (“FCA”), explaining they didn't think MFC had done anything wrong when calculating interest on the loan.

Mr G said he still didn't agree because the Investigator hadn't considered all the evidence – he said he needs an arrangement to pay off the loan and MFC hadn't stopped the interest accruing. He also said the Investigator got it wrong when saying he'd provided his income and expenses to MFC directly – when in fact he'd provided it to a third party.

Because an agreement couldn't be reached, the complaint was passed to me to decide on the matter.

I issued a provisional decision where I said:

“I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything provided, I'm intending to uphold part of Mr G's complaint – and I'll explain why.

Mr G says he didn't apply for this loan directly with MFC

It's commonplace for short-term loans to be provided via third parties and there isn't anything inherently wrong with this. In any event, it ought to have been clear to Mr G that he was entering into a contract with MFC as the lender. I say this because Mr G has digitally signed his loan agreement which clearly states MFC are the lenders. Other documentation provided at the time of lending and thereafter also says MFC is the lender.

I can also see from MFC's system contact notes that Mr G contacted MFC to request an extension on repaying the loan. Had Mr G believed he hadn't taken this loan out with MFC, I would have expected Mr G to raise the issue at that point, if not before.

So I'm satisfied from the evidence available that Mr G was made aware MFC were the lenders – and in any event, that he's had the benefit of the money lent to him. I don't therefore intend to uphold this part of his complaint.

Mr G says MFC irresponsibly lent to him

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr G's complaint.

MFC needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr G could afford to sustainably repay before providing the loan. Generally, it might be reasonable and proportionate for a lender's checks to be less thorough (in terms of how much information it gathers and what it does to verify it) in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

Mr G was provided with a high-interest loan, intended for short-term use. When Mr G was provided with the loan, MFC was required to understand whether Mr G could sustainably repay the full amount it was prepared to lend.

When providing Mr G with the loan, MFC's checks showed:

- Mr G disclosed on his application form that he was in full-time employment with a net monthly pay of around £4,730.*
- Mr G declared his expenditure at around £1,500 for housing, £225 for food, £175 for transport and £350 for "other". However, after carrying out a credit check, MFC saw Mr G had other credit commitments – and so allocated around £596 to account for those, subsequently increasing Mr G's total outgoings. MFC calculated Mr G's disposable income at around £1,588.*
- Mr G had no defaults, County Court Judgments or bankruptcy showing on his credit report. However, Mr G had around seven missed payments, most at least two years before the lending but one more recent, in the last six months.*
- Mr G had balances of around £10,000 in revolving credit. Mr G also owed around £2,000 for an unsecured loan.*

This was Mr G's first loan with MFC. So there wouldn't have been any established pattern in Mr G's borrowing needs. I recognise MFC's checks did show some adverse data on Mr G's credit file and that Mr G did have other debt owing. I've thought carefully about whether this meant MFC ought to have carried out further checks to get a better understanding of Mr G's financial situation – or even, whether based on this information, it simply shouldn't have lent to Mr G.

Although the credit checks showed some adverse data, on the whole, Mr G appeared to be managing his finances well. There were some missed payments however all but one were historic, most being at least two years before this loan application. Mr G doesn't consistently miss payments and from the data I've seen, he hadn't missed more than one payment consecutively. So given the generally ad hoc nature of the missed payments, and the fact they were mainly historic, I don't think this ought to have indicated any serious financial difficulties or money mismanagement. I can also see Mr G did have access to revolving credit (credit cards and what appear to be overdrafts) in addition to repaying an unsecured

loan and that Mr G was using most of the credit available to him. But weighing up Mr G's credit commitments against his income, I don't think this suggests Mr G was overly indebted or mismanaging the credit available to him. And, MFC obtained information from Mr G on his income and expenditure which showed he'd likely have enough disposable income to sustainably afford repayments.

Taking into consideration the amount Mr G needed to repay on the loan provided by MFC and the fact he was only given one loan, against his disposable income and credit report information, it seems reasonable that MFC relied on the information available at the time of lending. And, based on this information, it considered it likely Mr G would have been able to sustainably repay the full amount by the date agreed.

I'm sorry to hear Mr G is struggling to repay his loan. And I accept that Mr G's circumstances may not have been reflected either in the information he provided or the information MFC obtained. But MFC could only make its decision based on the information it had available at the time. And, given what I've said above, I don't think proportionate checks would have meant MFC needed to ask Mr G for any further evidence to verify the information it gathered.

Considering all of this, I'm satisfied the checks MFC carried out were proportionate in the circumstances and it wasn't wrong for MFC to lend to Mr G. So I don't intend to uphold this part of his complaint.

Mr G says the interest rate charged is too high and he wasn't made aware of this

Mr G complains the interest rate he's been charged is too high.

By its very nature, this is a loan which attracts high interest. So, I understand Mr G may feel the interest charged is high compared to some other loans available on the market. But these types of loans are intended for short term use only – because they can be an expensive way of borrowing. This doesn't automatically mean MFC has done anything wrong.

It's ultimately a commercial decision for MFC to decide how much interest it will charge, although there are some limitations to this. However, having checked Mr G's loan statement, I agree with our Investigator that MFC has charged interest in line with the price cap set in 2015 by the regulator, the Financial Conduct Authority ("FCA"). The price cap means that for high-cost short-term credit (Mr G's loan falls in this category), daily interest and fees mustn't exceed 0.8% of the amount borrowed, default fees should be no more than £15 in total, and the total interest, fees and charges shouldn't be capable of coming to more than the amount borrowed.

So I don't find MFC has done anything wrong when setting and calculating the interest rates on Mr G's loan. I don't therefore intend to uphold this part of his complaint.

Mr G also says he wasn't made aware of the interest he'd be paying on this loan.

As part of its lending obligations, MFC needed to ensure it made clear what Mr G would be paying for this loan – so Mr G could make an informed choice about whether to take out the loan. The evidence suggests Mr G took this loan out online and MFC has provided the information it says Mr G would have seen when applying for it. It's provided example screen shots showing the customer journey when applying online so I find it likely this is the information Mr G would have seen. It says the interest rate is clearly displayed throughout the application process – and having seen this evidence, I agree.

Before accepting the loan, Mr G needed to confirm “I have read, understood and accept the Adequate Explanations, Pre-Contract and Terms & Conditions”. I’ve seen copies of these documents.

The “Adequate Explanations” document says, “The daily cost of this form of credit makes it unsuitable for borrowing over longer periods, because it would be expensive to do so.” It also sets out that borrowing £400 would cost Mr G £192 if he repaid on time. And, that the maximum interest charged each day would be £3.20. It also explains “We will also continue to charge interest for the period you are in arrears at the contractual rate applying to the agreement and subject to the application of the total rate cap.”

The “Pre-Contract Credit Information” provides similar information to the “Adequate Explanations” document in terms of what interest Mr G would pay on this loan, the total amount payable and when it needed to be paid.

Mr G’s loan agreement with terms and conditions also sets out key information about the loan. Relevant to this complaint, it sets out that interest is charged at a fixed flat rate of 0.8% per day, the total interest would cost £192 and therefore the total amount repayable is £592. It also says interest will continue to accrue if payment is missed.

Alongside this information, MFC has provided a screen shot of its systems which shows part of an example customer journey during the application process. This shows an overview of the loan is prominently displayed at the side of the webpage – which includes the loan amount, the total to repay the loan, the term, interest, fees and APR.

Having seen all this information, I think it was clear and not misleading. The interest rate is made clear on the documents Mr G confirmed, during the application process, that he’d read and agreed to. I think the screen shots of MFC’s system also show the details of the loan were highlighted and made clear throughout the customer journey.

Throughout the customer journey when applying for the loan, Mr G had the option of choosing not to continue with the application if he wasn’t happy with the interest rate. The loan agreement also includes information about the 14-day withdrawal period – which means had Mr G, after taking out the loan, changed his mind, he had the opportunity to withdraw from the agreement if he wished.

Based on the evidence I’ve seen, I think MFC made Mr G aware of the key features of this loan, including the amount of interest chargeable. And, despite opportunities to either discontinue his application or withdraw from the loan agreement, Mr G accepted the loan and has had the benefit of the money. So I’m persuaded it’s likely Mr G would have been aware of the arrangement he was entering into, and I’ve not seen anything to suggest the loan agreement terms may have been misrepresented to him. I therefore don’t intend to uphold this part of his complaint.

Mr G says MFC should have stopped charging interest when he complained

I agree MFC should have stopped charging interest sooner than it did – around the time Mr G didn’t make repayment after the extended repayment date, and I’ll explain why.

Lenders should treat customers who are in financial difficulty ‘with forbearance and due consideration’ – or put simply, fairly. This may mean cancelling or reducing interest and charges, amongst other measures. I agree with our Investigator that when Mr G requested MFC extend his payment deadline by a month, he didn’t explicitly tell MFC he was in any financial difficulty. But a customer doesn’t need to explicitly tell a lender they’re in financial difficulty. Instead, a lender should proactively look for signs they’re struggling.

By agreeing the extension to pay, it's clear MFC accepted there was a change in Mr G's circumstances. At this point, I think MFC were put on notice that Mr G was having problems repaying the debt. Therefore, MFC could have done more to find out Mr G's reasons for needing more time to pay – and that would likely have revealed he was in some financial difficulty.

By the time Mr G missed the extended payment date at the end of September 2024, it should have been clear to MFC that he was having issues repaying. Given the potential for interest to rack up rapidly, I'd consider it good industry practice, which is something we're required to take on board, to freeze interest and charges. Continuing to charge interest on this loan when it was already clear Mr G couldn't pay, only served to make the situation worse for him. Therefore, I think MFC ought to have stopped charging interest on this loan from the point he'd missed the extended agreed payment due at the end of September 2024.

So I intend to uphold this part of Mr G's complaint.

Putting things right

I understand Mr G's loan is still outstanding.

Therefore, I intend to say, to put things right, MFC should remove any interest, fees and charges applied to the loan after 29 September 2024 (the date the extended payment was due) by reducing the amount Mr G still owes.

MFC should also update the information it's recorded with any Credit Reference Agencies, ensuring it's reflective of what would have been recorded, had the debt been crystallised on 29 September 2024.

MFC should contact Mr G to arrange a suitable repayment plan for the remaining balance. Mr G is also encouraged to get in contact with MFC and cooperate to reach a suitable agreement.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr G in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My provisional decision

For the reasons I've explained, I'm intending to uphold Mr G's complaint and direct My Finance Club Limited (MFC) to settle things in the way I've outlined in the 'Putting things right' section above.

So unless the comments and evidence I get by 11 September 2025 changes my mind, that's what I'll say in my final decision."

Neither MFC nor Mr G have responded to my provisional 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, given I haven't received further comment from either party, I haven't changed the opinion I expressed in my provisional decision.

I uphold Mr G's complaint in part, because I think MFC ought to have stopped charging interest on this loan from the point Mr G had missed the extended agreed payment due at the end of September 2024.

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My final decision

For the reasons I've explained, my final decision is that I uphold this complaint and direct My Finance Club Limited (MFC) to settle things in the way I've outlined in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 October 2025.

Sophie Kyprianou
Ombudsman