DRN-5821564

The complaint

Mr T is unhappy Salary Finance Loans Limited provided him with a loan which he says was unaffordable.

What happened

Salary Finance provided Mr T with a loan for £8,000 in January 2021. This was due to be repaid in 36 monthly instalments of around £295. The purpose of the loan at the time of the application was recorded as debt consolidation.

Mr T made an irresponsible lending complaint in March 2025. He said Salary Finance failed to check his income, expenditure and financial history. He added that they didn't check if his circumstances might change during the lifetime of the loan – which they did as he had to find another job in order to afford the loan repayments. Finally, he added that he had to take out a second charge mortgage to consolidate this loan.

Salary Finance didn't uphold Mr T's complaint, saying that they appropriately assessed affordability and suitability at the time of the loan application. So, Mr T brought his complaint to the Financial Ombudsman.

One of our investigators looked at Mr T's complaint and originally upheld it. Salary Finance disagreed and provided further evidence which led our investigator to review and reject the complaint. She found that, as this was a consolidation loan, it was going to improve Mr T's overall financial circumstances.

Mr T disagreed with our investigator, explaining that his intention was to reduce his monthly outgoings – which this loan didn't do. Therefore, he maintained that the loan was unaffordable.

Because an agreement couldn't be reached, the complaint has been passed to me to decide.

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 intending to uphold Mr T's complaint. I know this is likely to be disappointing, so I'll explain the reasons for my decision.

The rules and regulations in place at the time Salary Finance provided Mr T with the loan required them to carry out a reasonable and proportionate assessment of whether he'd be able to repay it in a sustainable way. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower-focused'. This means Salary Finance had to think about whether repaying the credit would cause difficulties or adverse consequences for Mr T. In other words, it wasn't enough for Salary Finance to consider the likelihood of them getting the funds back or whether Mr T's circumstances met their lending criteria – they had to consider if Mr T would be able to sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer and the amount, purpose, cost of credit they were seeking. I've kept all of this in mind when thinking about whether Salary Finance did what was needed before lending to Mr T.

Did Salary Finance carry out reasonable and proportionate checks?

Before approving the loan, Salary Finance said they asked Mr T what his income was and verified this directly with his employer. They also:

- Estimated Mr T's housing costs using data from the Credit Reference Agencies ('CRA').
- Estimated Mr T's living costs using statistical data
- Checked his credit file

I'm inclined to say these checks were reasonable and proportionate in the circumstances. Mr T had declared the loan to be for consolidation purposes, specifically to repay five credit card accounts. Salary Finance provided the funds to a third party who made the payments to Mr T's existing creditors. So, it was reasonable for them to think it would likely improve his situation overall. They weren't adding to Mr T's indebtedness but, rather, were providing him with an opportunity to improve his financial circumstances.

Salary Finance said they verified Mr T's income directly with his employer. Whilst I've not seen evidence of this, I'm persuaded this likely happened as the loan repayments were made by deduction from Mr T's salary. So, I'm satisfied there would have been some contact with Mr T's employer. Salary Finance provided some evidence suggesting they also verified Mr T's income with a CRA.

I appreciate Mr T feels that Salary Finance should have asked him about his actual spending rather than rely on average data. But the regulations specifically allow a business to use statistical data to estimate an applicant's expenditure. I haven't seen anything in the information Salary Finance obtained which ought to have prompted them to do further checks.

Did Salary Finance make a fair lending decision?

Just because I think the checks were proportionate based on Mr T's circumstances, it doesn't end there. I need to consider whether Salary Finance made a fair decision to lend.

Salary Finance carried out a credit check which showed no adverse information was being reported. I've reviewed the evidence provided by Salary Finance as well as the credit file provided by Mr T. He appeared to be managing his accounts well, with no missed payments, underpayments or arrears in the months leading up to the loan application.

Salary Finance also told us their credit check found that Mr T held a joint mortgage, so they split the monthly repayment equally between Mr T and his partner – around £502 per month. I'm satisfied this is reasonable and supported by the information contained in the credit file provided by Mr T, which shows he held a joint mortgage at the time with a monthly repayment of £1,005. Deducting Mr T's share of the mortgage and their estimate of his living costs from his income (which they say they verified as being around £1,435), and taking into account the debt refinancing, Salary Finance calculated Mr T would be left with a disposable income of around £133 per month. I'm satisfied this was enough to cover emergencies and discretionary spending. So, Salary Finance acted fairly in deciding the loan would likely be affordable for Mr T.

I appreciate Mr T has told us that his aim was to reduce him monthly outgoings, but this consolidation loan increased his monthly debt commitments which made his situation worse. I agree that this loan did increase Mr T's monthly outgoings. However, I've not seen any evidence to show Mr T made Salary Finance aware of his priority to reduce his monthly outgoings. I'm also satisfied that the loan contract was clear about how much Mr T would have to pay each month. Overall, I'm satisfied it was reasonable for Salary Finance to believe the loan would improve his overall financial situation as the debt would be repaid quicker and at a lower overall cost than the higher interest-bearing credit card accounts.

I'm sorry to hear of the financial difficulties Mr T faced as a result of this loan. But based on the information I've seen, I'm not persuaded that Salary Finance should have known this was likely to happen at the point they granted the loan.

Overall and having carefully considered everything, I'm not persuaded Salary Finance treated Mr T unfairly or unreasonably.

Finally, I've also considered whether the relationship between Mr T and Salary Finance might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Salary Finance lent irresponsibly to Mr T or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold Mr T's complaint against Salary Finance Loans Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 3 February 2026.

Amelie Makris
Ombudsman