

The complaint

Mr K complains that Manx Financial Limited was irresponsible in its lending to him.

What happened

Mr K was provided with a £7,950 loan by Manx Financial in January 2024. The loan term was 60 months, and Mr K was required to make monthly repayments of £151.85.

Mr K said that adequate checks weren't carried out before the loan was issued and that had they been, Manx Financial would have seen he was in financial difficulty with his account in arrears and he had bounced direct debits. Mr K said that the loan wasn't affordable, and he struggles each month to make his payments. He explained this loan has caused him stress and anxiety.

A final response was issued on behalf of Manx Financial to Mr K's complaint. It explained that Mr K had applied for two staff loans, one for £1,500 in November 2023 and one for £7,950 in January 2024. It noted this complaint was about the second loan. It said that the January 2024 loan was intended for debt consolidation and had a favourable interest rate (due to being a staff loan). It said that a credit check was undertaken when Mr K was recruited and this showed he had a good credit score and good repayment history. It accepted that a more in-depth affordability assessment could have been undertaken but this wasn't in the spirit of this employee benefit. Based on this, Mr K's complaint wasn't upheld.

Mr K referred his complaint to this service.

Our investigator noted that Mr K had been employed by a company in the same group as Manx Financial since April 2023 and his income was available to Manx Financial. However, there was no evidence that an income and expenditure assessment was carried out which assessed Mr K's outgoings. He noted that Manx Financial reviewed Mr K's credit file from when he was recruited but this was eight months before the loan application. Given this, our investigator didn't think that Manx Financial's checks were reasonable or proportionate.

Our investigator considered what would have been identified had proportionate checks taken place, and used the information contained in Mr K's bank statements from the time. He found that after the deduction of the Manx Financial loan repayments Mr K would only have around £60 disposable income a month. He thought this showed the loan to be unsustainable for Mr K and so he upheld this complaint.

Manx Financial didn't accept our investigator's view. It said that given the size of the loan, the reduced interest rate as a benefit of Mr K's employment and his strong credit score at the point of recruitment further checks weren't needed. Instead, it relied on Mr K's confirmation that the repayments were affordable and that he didn't foresee any circumstances where this might change. It said that given this was a staff loan its checks were proportionate.

Manx Financial also said that even if it had carried out further checks prior to the loan being given, based on the information available to it at that time, its decision to lend wouldn't have changed.

Mr K responded to our investigator's view explaining that the loan was clearly unaffordable and he was several months in arrears. He said that he was being harassed about his payments, and he wasn't clear on whether his payments were going towards the interest or repaying the loan balance. He said this was adding additional stress.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

This complaint is about the £7,950 loan provided in January 2024. While I note this was a staff loan provided at a preferential rate, Manx Financial was still required to carry out reasonable checks to ensure the lending would be sustainably affordable for Mr K.

At the time of the loan application, Manx Financial had access to Mr K's income details and information from a credit check undertaken eight months earlier when Mr K was recruited. While I note Manx Financial's comment that Mr K's previous credit data hadn't raised concerns, noting the size of the loan being provided and that this was Mr K's second staff loan application in around three months, I think that Manx Financial should have gained up to date credit information about Mr K and asked questions about his expenditure.

I do not think that Manx Financial was required to request copies of Mr K's bank statements, but I have used the information these contain to assess what would likely have been identified had further questions been asked. Unfortunately, I haven't been provided with a copy of Mr K's credit file from the time.

Mr K's bank statements for the months leading up to the loan application show his monthly income was around £1,897. His account statements show Mr K was paying for existing credit commitments (excluding the November 2023 and January 2024 Conister loans) as well as housing and associated costs and other regular expenses such as insurance, communications / media contracts and food. This resulted in his disposable income before the Manx Financial loan repayments and his payment for his overdraft fees being around £215. Deducting the loan repayments for both Manx Financial loans and around £25 for his overdraft charges reduced this to around £10.

I note the intended purpose of the loan was debt consolidation, and this loan was provided at a favourable rate of interest. I do not have further details of the debts Mr K intended to consolidate or the impact that was calculated at the time regarding his monthly outgoings. However, having looked through his bank statements after the Manx Financial loan was given, I can see that he repaid one of his loans, which would have reduced his outgoings by around £70 a month and he did make a payment towards another loan but his repayment for this and his other credit commitments remained at the same level going forward. While this would have increased his disposable income to around £80 this is still a low amount and

noting the loan term of 60 months, I think this raises concerns about whether the loan would be sustainably affordable over that period.

I've also considered whether Manx Financial acted unfairly or unreasonably in some other way given what Mr K has complained about, including whether its relationship with Mr K might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr K 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.

Putting things right

As I don't think Manx Financial ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr K should pay back the amount he has borrowed. Therefore, Manx Financial should:

- Add up the total repayments Mr K has made towards the January 2024 loan and deduct these from the total amount of money Mr K received.
- a) If this results in Mr K having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement)*. Manx Financial should also remove all adverse information regarding this account from Mr K's credit file.
- b) If any capital balance remains outstanding, then Manx Financial should arrange an affordable and suitable payment plan with Mr K. Once Mr K has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Manx Financial to take off tax from this interest. Manx Financial must give Mr K a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that Manx Financial Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 February 2026.

Jane Archer
Ombudsman