

The complaint

Mr I, a sole trader, complains about the way YouLend Limited sold him a merchant finance agreement. He argues that YouLend Limited unfairly coerced him into opening a bank account with a third-party in order to obtain finance which had otherwise been contractually agreed. He also adds that his personal data has been improperly handled by YouLend Limited.

What happened

Mr I has made detailed submissions to our service. While I've read these in full, I won't be responding in the same level of detail. This isn't intended as a discourtesy. It is merely reflective of the informal nature of our service.

I set out below what I consider to be the key issues in this complaint.

Mr I entered into a merchant cash advance agreement which was arranged, but not provided by, YouLend. A debt purchaser agreed to give Mr I £1,000, and Mr I agreed to give the debt purchaser 22% of the proceeds of his business takings (up to a maximum monetary limit).

Mr I also applied for a second facility, although this never went ahead.

Mr I brought his complaint to our service after YouLend responded to say it didn't think it had done anything wrong. He requested £100,000 in compensation. This figure is made up of claimed losses to Mr I's business as well as statutory damages under data protection legislation.

One of our investigators looked into Mr I's complaint. She said, in summary:

- It was a reasonable assumption that Mr I was complaining about events around the second finance agreement and not the first, given that the first went ahead
- Mr I's complaint about the potential mis-sale of the finance agreement was not something she could comment on because it was an invoice factoring agreement which fell outside of our service's jurisdiction
- She thought she could comment on Mr I's complaint that he was unfairly required to open a payment account with a third-party because this was a regulated payment service. After considering things, she was persuaded that Mr I had consented to YouLend opening an account with a third-party in order to obtain, and then repay, the merchant cash advance. In particular, she noted that Mr I had confirmed he'd agreed to YouLend's Terms of Use which authorised YouLend to set up a payment account for Mr I. She also thought the terms of the finance agreement made this clear.
- The investigator also said that she could comment on Mr I's complaint points that relate to the processing of Mr I's data. However, she didn't think YouLend had done anything wrong here either because she was satisfied that YouLend had explained it was obligated to retain some records for anti-money laundering purposes.

Nevertheless, YouLend had deleted all non-essential data and removed Mr I from marketing lists, which she felt was fair.

Because Mr I disagreed with our investigator, the complaint has been passed to me to reach a decision on.

My jurisdiction

Firstly, I agree with our investigator's interpretation of our jurisdiction to consider Mr I's complaint.

The rules about what complaints we can (and can't) consider are found in the Financial Conduct Authority's handbook, which is available online. The relevant section about what complaints we can consider against YouLend is DISP 2.3.2AR. In short, we can consider complaints about YouLend where it has performed "payment services" activities or "credit-related regulated activities" (and activities ancillary to either of these).

I think Mr I's complaint, insofar as it relates to YouLend's acts in selling or arranging the merchant cash advance, fall outside the jurisdiction of the Financial Ombudsman because I'm satisfied it is neither a payment service as defined in part 1 of schedule 1 of The Payment Services Regulations 2017 nor is it one of the credit-related regulated activities listed in DISP 2.3.2AR.

On the latter, I will explain further that Mr I's complaint doesn't meet any of the relevant credit-related regulated activities because it's not a regulated credit agreement. It's not a credit agreement at all because it isn't a loan. Rather, Mr I has sold the rights to a proportion of proceeds from his business takings (or "receivables") in exchange for up-front cash.

Nevertheless I recognise that if Mr I is complaining about the second finance facility that didn't go ahead, there is no agreement to review. But YouLend has said that this prospective agreement, had it gone ahead, would have been the same as the first. So I'm satisfied that any aspect of Mr I's complaint that relate to the provision of the second facility also isn't a complaint about an activity performed by YouLend that is covered by our service.

I therefore will not be making any findings on Mr I's complaint in relation to YouLend's role in arranging these agreements for him.

That brings me to the other aspects of Mr I's complaint surrounding the opening of the payment account. Like our investigator, I am satisfied that I can comment on Mr I's complaint points about being forced or coerced into opening this account because it constitutes a complaint about a payment service provided by YouLend. I also think I can consider Mr I's points about the retention or processing of his data where that data is related to Mr I's payment account and therefore ancillary to a payment service being provided by YouLend. I have therefore gone on to consider those issues.

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, there is very little that I can add to what our investigator has previously said. I agree with her that Mr I ought to have been aware that a condition of receiving the merchant cash advance was that YouLend would open a payment account for him with a

third-party. Indeed, I'm satisfied Mr I consented to this in 2019. So I see no basis to conclude that YouLend acted unreasonably here.

I further find that YouLend's explanation as to why it is unable to delete all of Mr I's data is reasonable. I think the steps YouLend has taken to delete Mr I's data, as far as it able, are fair.

For these reasons, I'm not requiring YouLend take further action to address Mr I's complaint.

My final decision

My decision is that:

- I cannot consider Mr I's complaints about YouLend's actions in relation to the merchant cash advances.
- I can consider Mr I's complaint about the payment account, but I do not uphold that complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 24 February 2026.

Laura Colman
Ombudsman