

The complaint

Mrs D complains Erewash Credit Union Limited (Erewash) acted irresponsibly by lending to her.

What happened

Mrs D took out the following fixed sum loans with Erewash:

- Loan 1 - In August 2020, Mrs D borrowed £2,000 with the agreement requiring her to make 24 monthly repayments of around £118. Mrs D settled the loan in October 2020.
- Loan 2 - In August 2021, Mrs D borrowed £1,000 with the agreement requiring her to make 12 monthly repayments of around £198.
- Loan 3 - In January 2022, Mrs D borrowed an additional £1,500, increasing her loan to £2,116.12. The new agreement required her to make 24 monthly repayments of around £125.
- Loan 4 - In August 2022, Mrs D borrowed an additional £1,000, leaving her with a new loan balance of £2,634.89. The new agreement required her to make 32 monthly repayments of around £129.

In May 2025, Mrs D complained to Erewash about their decisions to lend to her, saying had they properly checked her credit record, they should have seen it wasn't responsible to lend to her.

Erewash didn't uphold Mrs D's complaint saying affordability checks were carried out to review her creditworthiness and that they were satisfied their lending decisions were made responsibly.

Erewash added on occasions, the loan amount applied for was reduced, or the application was declined when affordability concerns were identified and that when Mrs D later fell into financial difficulties, a repayment plan was agreed to support her.

Mrs D remained unhappy with Erewash's response, so asked our service to investigate. When doing so, she said had Erewash properly checked her credit record, the presence of late payment markers and a high level of existing credit should have warned them she was struggling and that it wasn't responsible to lend to her.

One of our Investigators looked into things but didn't uphold Mrs D's complaint. He thought the checks Erewash carried out prior to lending were reasonable and based on the results of those checks, he didn't think the lending decisions they went on to make were unfair.

Mrs D disagreed with our Investigator saying the amount of debt she had, alongside the high interest rate of the loans, meant she didn't think the lending was affordable.

Mrs D asked for an Ombudsman's decision, so this case 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, although I appreciate it'll be a disappointment to Mrs D, I'm not upholding her complaint and for much the same reasons as our Investigator. I'll explain why.

What's required of lenders?

All Mrs D's loan agreements with Erewash are exempt agreements and therefore aren't subject to all the usual consumer credit regulations such as CONC. But they are subject to the provisions set out in the Financial Conduct Authority's (FCA's) Credit Unions Sourcebook (CREDS).

Chapter 7 of CREDS says a credit union must maintain and implement a prudent and appropriate lending policy and that this should consider the handling of applications for lending. And it says it seeks to protect the interests of credit unions' members in respect of loans to members.

Taking all this together, it's clear the FCA recommends that a credit union's lending policy needs to protect members' interests. This suggests the credit union needs to check whether a loan would be sustainably affordable for an applicant as well as the creditworthiness of that applicant – as the members' interests wouldn't be protected if the applicant later defaulted on their loan. In summary, it's reasonable to assume that before providing these loans Erewash needed to have considered Mrs D's financial circumstances and the affordability of the lending for her.

Did Erewash carry out enough checks and go on to make fair lending decisions?

Loan 1:

Mrs D applied for £2,000 for the purpose of debt consolidation and at the time of the application declared an income of around £1,274 a month, an amount Erewash verified via Open Banking data.

Erewash completed an expenditure assessment which after reviewing alongside Open Banking data, they concluded Mrs D had around £160 disposable income left each month.

Considering the expenditure taken into account by Erewash included her repayments towards existing credit, I think it was reasonable for them to have been satisfied that when the new loan funds were used to consolidate other debt as intended, her disposable income would more likely than not have gone up.

Having taken into consideration the amount of the loan, the purpose for which it was taken out and the monthly repayments due, I'm satisfied with Erewash's checks – and the results of those checks suggested Mrs D would have enough disposable income after taking out the loan, so I wouldn't have expected them to do more before deciding whether to lend to her and I'm also satisfied Erewash acted fairly by going on to decide the agreement was likely affordable for Mrs D.

Loan 2:

At the time of this application, Erewash could see Mrs D had repaid her previous borrowing early without missing any repayments.

Erewash again completed an expenditure assessment using information declared by Mrs D, which they then verified using bank statements, concluding she had around £232 disposable income each month.

Erewash completed a credit check, and the information was reviewed by a loan officer who saw no active arrears at the time, that Mrs D had not recently defaulted on, or missed any repayments to her existing credit and saw no sign of County Court Judgements (CCJs) or insolvency flags.

In the circumstances here, I wouldn't have expected Erewash to do more before deciding whether to lend to her and again, I'm also satisfied they acted fairly by going on to decide the agreement was likely affordable for Mrs D.

Loan 3:

On this occasion Mrs D applied to borrow a further £3,000. Mrs D's income was verified as being £1,600 net monthly and an expenditure assessment completed alongside a review of her bank account statements showed a disposable income of around £440 a month.

Erewash completed a further credit check, and again, the loan officer reviewing the application saw no active arrears at the time, that Mrs D had not recently defaulted on, or missed any repayments to her existing credit and saw no sign of CCJs or insolvency flags.

Mrs D applied for the funds to consolidate other debt. After review, the loan officer went on to approve a reduced amount to £1,500, keeping the repayments around the same amount as what she'd previously been meeting.

As before, in the circumstances of this application, I wouldn't have expected Erewash to do more before deciding whether to lend to her and again, I'm also satisfied they acted fairly by going on to decide the agreement was likely affordable for Mrs D.

Loan 4:

On this occasion Mrs D applied to borrow a further £7,500 to consolidate other debt. On this occasion Erewash insisted they repay the other debt directly, but Mrs D was unaware how to obtain the payment details to provide Erewash, so the application was withdrawn.

A new application for £3,000 was then made. Mrs D's income was verified as being £1,680 net monthly and a further expenditure assessment completed alongside a review of Open Banking data showed she likely had a disposable income of around £570 a month.

Erewash completed a further credit check, and as previously on this occasion, the loan officer reviewing the application saw no active arrears at the time, that Mrs D had not recently defaulted on, or missed any repayments to her existing credit and saw no sign of CCJs or insolvency flags.

After speaking with Mrs D, Erewash established the loan applied for was to assist with priority bills and not for debt consolidation. As this was the case, they approved a much lower sum of £1,000, again keeping the repayments around the same amount as she'd built up a history of showing she was able to repay.

Having looked at the circumstances here, as before, I wouldn't have expected Erewash to do

more before deciding whether to lend to her and again, I'm also satisfied they acted fairly by going on to decide the agreement, at a reduced amount to that what was applied for, was likely affordable for Mrs D.

In summary, in the circumstances around all four loans, I'm satisfied with Erewash's checks – and that the results of those checks suggested the lending agreed for Mrs D was affordable, so I wouldn't have expected them to do more before deciding whether to lend to her. I'm also satisfied Erewash acted fairly and responsibly on each occasion by going on to agree the lending they did for Mrs D.

Did Erewash treat Mr F unfairly in any other way?

I can see Mrs D let Erewash know she was experiencing financial difficulties in 2023 and to assist, they agreed a repayment plan, reducing the payments due to £100. I've not seen anything to persuade me Erewash ought to have acted differently here.

I've also considered whether Erewash acted unfairly or unreasonably in some other way given what Mrs D has complained about, including whether their relationship with Mrs D might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Erewash lent irresponsibly to Mrs D or otherwise treated her 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

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 2 February 2026.

Sean Pyke-Milne
Ombudsman