

The complaint

Miss O complains Salary Finance Loans Limited (SFL) approved a loan even though she had an existing external defaulted account.

What happened

Miss O says SFL approved a loan account for her in May 2020 for £20,000, even though at that time she had defaulted on an existing external commitment. Miss O says in addition, SFL placed her debt with collection agents without prior contact and this was due to an error on duplicating payments. Miss O says this loan has pushed into a spiral of debt and shouldn't have been approved and wants SFL to refund all interest and charges made to the loan, along with 8% simple interest on that sum.

SFL says it is a responsible lender and before it approved the loan, which was intended for consolidation of existing debt, it carried out an income and expenditure profile which showed Miss O had sufficient disposable income to meet the new loan commitments not allowing for the fact her existing debt costs would reduce. SFL says it relied on information from that declared on Miss O's application and data provided by credit reference agencies (CRA's) and income verification from the Office of national Statistics (ONS).

SFL says at the time the loan was approved Miss O had no defaults registered, no CCJ's or payment plans in place. SFL feels it carried out thorough financial checks before it approved the loan and its decision to lend was fair

Miss O wasn't happy with SFL's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there are no set rules as to what checks lenders like SFL must undertake but these should be borrower focussed. The investigator says SFL provided extracts from its credit searches which showed no defaults, CCJ's or payment plans and while there was evidence of one potential missed payment, overall Miss O's credit file was clear and the checks SFL undertook were reasonable and proportionate.

The investigator says SFL's affordability assessment showed Miss O had a net disposable income of around £520 after paying for the new loan and based on this, and the information SFL had obtained, the new borrowing looked affordable. The investigator says this affordability assessment didn't take into account Miss O's existing credit commitments, which would have reduced substantially had the loan been used to consolidate those, as intended. The investigator concluded SFL's decision to lend was fair.

Miss O didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear Miss O is now facing financial difficulties and this must be a difficult time for her.

When looking at this complaint I will consider if SFL's decision to approve a loan account to consolidate existing debts was fair and if the financial checks it undertook were reasonable and proportionate. As the investigator has explained, the other issues Miss O has raised regarding the fact her debt was wrongly placed with debt collection agents, didn't seem to form part of her original complaint to SFL for which she has received a final response, so I can't consider that issue and that should form a separate complaint addressed to SFL, if Miss O so wishes.

Miss O's complaint here centres around her view that SFL shouldn't have approved the loan it approved in May 2020 for £20,000 for debt consolidation purposes, as she had existing financial issues and had defaulted before. While I understand the points Miss O makes here, I'm not fully persuaded by her argument and I will go on to explain why.

As the investigator has pointed out there are no set list of checks lenders like SFL must carry out before approving credit facilities but these should be borrower focused, taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell SFL what those checks must consist of, or from what sources those checks should come from.

Here from the information I have seen, before SFL approved the consolidation loan it relied on information declared by Miss O on her application, alongside data extracted from a recognised CRA and then used external industry standard income verification sources. I can see that these credit checks indicated there were no defaults, CCJ's, payment plans in place. In addition SFL carried out its own affordability modelling based on an income and expenditure declaration by Miss O and additionally used industry standard verification to check income levels.

This showed after allowing for housing and living expenses and Miss O's existing credit commitments, she had around £1,000 net monthly disposable income to meet the new loan commitment of around £480 per month, leaving her with £520 per month for non-essential expenditure. What is important to say here is that the purpose of the loan was to consolidate existing debts which would have resulted in substantial further savings every month, improving Miss O's net disposable income (NDI). It's not clear whether or not Miss O did use the loan for its intended purpose, but I can't hold SFL responsible if that wasn't the case. Even so, Miss O's NDI appeared more than sufficient to meet the new commitment without existing debt being cleared or reduced.

While Miss O feels strongly her credit file showed she had a default account at that time, the extract screen shots she has provided that service are unclear, and despite requests for a full credit report from the investigator, that hasn't been forthcoming, so I have relied on the information available to me. That said SFL did rely on recognised credit sources for any reportable credit issues, but apart from one potential missed payment issue there were no obvious signs of financial stress at that time. It's also worth adding that lenders are reliant to some extent on lenders reporting any issues to all the relevant credit agencies and on time, and there are often delays or omissions, so that could be an explanation here if Miss O believes a default existed, but unfortunately I have seen nothing concrete that evidence that here.

I have also looked at the bank statements Miss O provided this service but from what I have seen there was nothing to suggest any obvious financial issues, even if SFL had requested sight of these. Overall and on balance I am satisfied the financial checks SFL carried out were reasonable and proportionate and its decision to lend at that time was fair.

I've also considered whether SFL acted unfairly or unreasonably in some other way given what Miss O has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Miss O will be disappointed with my decision, I won't be asking anymore of SFL here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 25 December 2025.

Barry White
Ombudsman