DRN-5867928

The complaint

Mrs C is complaining that Salad Finance Limited trading as Salad Loans (SFL) shouldn't have lent to her.

What happened

SFL approved three loans for Mrs C - £500 in December 2022, £1,200 in July 2023, and £1,500 in April 2024. Each loan was refinanced by the one before it so at any one time, Mrs C only had one loan open with SFL. The monthly repayments were initially £56.73 and then increased to £101.45 and subsequently £106.59.

In November 2024, Mrs C complained to SFL, saying they shouldn't have offered her the loans when she wasn't in a position to be able to repay them. She said she'd been struggling with priority bills and had to borrow elsewhere.

In response, SFL said they focus on Open Banking data when approving loans. They said they don't use credit scores as these reflect the past rather than present affordability. SFL explained how they'd used the Open Banking data to determine that each loan was affordable for Mrs C.

Mrs C wasn't happy with SFL's response so brought her complaint to our service. She said SFL continued to offer top-up loans despite her financial situation and her monthly payments became completely unaffordable. She added that this had caused her a lot of stress and had impacted her credit file.

One of our investigators looked into Mrs C's complaint but didn't uphold it. He said he thought SFL had carried out reasonable and proportionate checks and had made fair lending decisions based on what they'd found. Mrs C wasn't happy and asked for an ombudsman's decision – and her complaint came to me.

I issued a provisional decision on 23 September 2025, explaining why I thought SFL shouldn't have approved the last loan to Mrs C. I said:

> *<u>"Did SFL carry out reasonable and proportionate checks?</u>*
>
> *SFL have explained that they didn't carry out a full credit check before lending to Mrs C. Instead, they checked for County Court Judgments, Bankruptcy Orders and Individual Voluntary Arrangements and found none. So they didn't have a clear picture of her recent credit history.*
>
> *Instead, SFL explained, they used Open Banking data. This showed them all the transactions through one of Mrs C's bank accounts for the period leading up to each lending decision. That way, SFL said, they had a clear picture of Mrs C's income, essential expenditure, and direct debit success rate. And they said they could identify missed payments from this data as well – but didn't find any in Mrs C's case.*
>
> *Having reviewed the data SFL used, I can see that the largest category of spending by far (in each period) was bank transfers. Mrs C was transferring money to two other accounts. SFL had no visibility over what type of transactions were going through those other*

accounts or the payment consistency or direct debit success rate on those other accounts. The income and expenditure analysis SFL produced contains no spending on rent or utilities and relatively limited spending on groceries.

So, I'm not persuaded that this analysis went far enough – I'm inclined to say SFL should have gained a clearer picture of Mrs C's spending, likely by considering the transactions through her other accounts.

If SFL had carried out reasonable and proportionate checks, what would they have found?

I can't uphold Mrs C's complaint just because I don't think SFL did enough to check the affordability of the loans for her – I need to consider what would have happened if they had done more.

Loans 1 and 2

I've reviewed the bank statements for Mrs C's other current account for the three months leading up to each lending decision. These statements show Mrs C had some additional income outside of her main salary, and they show relatively limited essential and committed spending, most of which was covered by Mrs C's additional income. The amount of discretionary spending I could see across Mrs C's accounts was enough to cover the monthly repayments needed under this loan. And I saw no evidence of Mrs C missing payments to priority bills or having direct debits rejected. In relation to the first two loans, then, I'm inclined to say that even if SFL had carried out more checks, they could still have fairly decided to lend to Mrs C.

Loan 3

However, I also saw that in the lead up to the third loan from SFL, Mrs C had taken out three other loans – one for £3,000 in January 2024, and two loans in March 2024 totalling £1,100. And her overdraft balance on her other current account had increased to being constantly near £500. I did note that Mrs C had a high level of payments to a deferred credit provider. I didn't include these payments in my consideration of essential and committed expenditure because this type of credit is usually short-term and typically used for discretionary spending. But, looking at Mrs C's pattern of borrowing, I don't think SFL should have topped up Mrs C's loan in April 2024. I'm inclined to say it ought to have been clear to SFL that this wasn't responsible given Mrs C's recent borrowing, increased overdraft, and level of deferred credit payments.

Did SFL act unfairly in any other way?

I've also considered whether the relationship between SFL and Mrs C might be considered unfair under s.140 of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm directing below results in fair compensation for Mrs C in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

Mrs C accepted my provisional decision, and SFL didn't reply.

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.

As I've not received any comments or evidence in response to my provisional decision, my final decision is unchanged from the provisional decision I've set out above and I'm partially upholding Mrs C’s complaint.

Putting things right

As SFL shouldn’t have approved the third loan in April 2024, it’s not fair that Mrs C pay any interest or charges for that additional borrowing. She did have use of the funds she was lent, so it’s fair she repays them. And it’s fair that she repays any interest and charges on the first two loans.

To settle Mrs C’s complaint, then, SFL should:

- Rework the account, removing all interest and other charges that have been applied to amounts advanced under the April 2024 top-up and:
- If the rework results in a credit balance, this should be refunded to Mrs C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. SFL should also remove all adverse information recorded after April 2024 regarding this account from Mrs C’s credit file.
- If after the rework there is still an outstanding balance, SFL should arrange an affordable repayment plan with Mrs C for the remaining amount. Once Mrs C has cleared the outstanding balance, any adverse information recorded after April 2024 in relation to the account should be removed from their credit file.

*HM Revenue & Customs require SFL to deduct tax from any award of interest. They must give Mrs C a certificate showing how much tax has been taken off if she asks for one.

My final decision

As I’ve explained above, I’m upholding Mrs C’s complaint and directing Salad Finance Limited trading as Salad Loans to take the steps I’ve set out above to settle the matter.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs C to accept or reject my decision before 5 November 2025.

Clare King
Ombudsman