

The complaint

Miss D is complaining that Pennine Community Credit Union Limited (PCCU) lent to her irresponsibly by providing her with a series of personal loans. Miss D's complaint has been handled by a representative, but for ease, I've written as if we've dealt directly with her throughout.

What happened

PCCU granted the following loans to Miss D:

	Date granted	New amount approved	New total lending	Contractual repayment	Number of repayments
Loan 1	Jun-18	£600	£3,246	£280 per month (pm)	13
Loan 2	Nov-18	£600	£2,640	£280pm	11
Loan 3	Feb-19	£600	£2,262	£260pm	10
Loan 4	May-19	£500	£2,060	£260pm	9
Loan 5	Aug-19	£1,000	£2,344	£260pm	11
Loan 6	Nov-19	£1,500	£3,259	£260pm	14
Loan 7	Feb-20	£600	£3,307	£275pm	13
Loan 8	May-20	£2,000	£4,568	£275pm	19
Loan 9	Nov-20	£1,500	£4,637	£275pm	19
Loan 10	Jun-21	£700	£700	£15 per week (pw)	59
Loan 11	Dec-21	£900	£1,325	£20pw	89

Miss D was an existing member of PCCU and already had an existing loan before June 2018, but she's only complained about the loans set out above. Miss D complained to PCCU in March 2024, saying they hadn't carried out enough checks before lending to her and the lending was unaffordable.

PCCU didn't uphold Miss D's complaint – they were satisfied they'd done enough to check each loan was affordable for her. Miss D remained unhappy, so she brought her complaint to our service and one of our investigator's looked into it.

Our investigator's view was that, for loan five onwards, PCCU hadn't done enough to check the loan repayments would be affordable for Miss D. She said if they had done more checks, loan five would have appeared affordable, but all of the loans granted after that wouldn't have seemed affordable. So she concluded PCCU shouldn't have granted these later loans and said they should refund all interest and charges Miss D had incurred in relation to them.

PCCU disagreed with our investigator. They maintained that they'd done enough checks and that the loans appeared affordable for Miss D. They acknowledged that their checks showed Miss D was in a tighter financial position by the time of the final loan, but said all lending was in line with responsible lending guidance and their duty as a credit union to support their members in a fair and balanced way. They added that Miss D had overpaid at times which confirmed their view that the loans were affordable for her. PCCU asked for an ombudsman's decision – and the complaint was allocated to me.

I issued a provisional decision on 2 October 2025, explaining why I didn't intend to uphold Miss D's complaint. In that I wrote:

“What's required of lenders?”

Miss D's loan agreement with PCCU is an exempt agreement and therefore isn't subject to all the usual consumer credit regulations, in particular those set out in the Financial Conduct Authority's (FCA's) Consumer Credit sourcebook, CONC. But the agreement is subject to the provisions set out in the FCA's Credit Unions Sourcebook (CREDS).

Chapter 7 of CREDS says a credit union must have a prudent and appropriate lending policy which considers 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. So, 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 – because the members' interests wouldn't be protected if the applicant later defaulted on their loan.

In summary, it's reasonable to say that before providing each loan PCCU needed to consider Miss D's financial circumstances and the affordability of the loan for her.

Did PCCU carry out reasonable checks?

Before each lending decision, PCCU obtained Miss D's income and expenditure from her. And they asked her about any missed payments and defaults on her existing credit. They asked her about the purpose of each loan and went through the details she gave in more detail at times when it seemed appropriate (for example when she moved out of her parents' house into her own property). PCCU also carried out credit checks before granting loans three, six, and eight to eleven. And they checked Miss D's savings balance with them before granting each loan.

I'm inclined to say these checks were reasonable in the circumstances. For the first nine loans, the monthly repayment didn't vary much and remained between £260 and £280 per month. Whilst this was a reasonably high proportion of Miss D's monthly income (which she said varied between about £1,650 and £1,950), it represented what Miss D wanted to pay to PCCU. The interest rate for these nine loans was one per cent per month, and the term of each was well under two years. And Miss D made all her payments under these loans on time, sometimes overpaying, which suggests that it was

likely to be affordable for her to continue making the same contractual repayment each month.

The last two loans were at a higher interest rate but needed much lower repayments – at around £65pm and £90pm respectively. And Miss D's income was around £1,800 to £2,000 by this time. So, the loan repayments were a much smaller proportion of her income than previously.

The credit reports PCCU obtained don't show anything I'd expect to have prompted them to do any further checks. They show Miss D missed occasional payments on a mail order account and a telecommunications account. But each credit report showed at most only one missed payment in the preceding six months and in each case the relevant account was back up to date by the time of Miss D's loan application. And the missed payments shown on the credit reports were consistent with what Miss D told PCCU, demonstrating that she was a reliable source of information.

Miss D said she had several accounts passed to debt recovery companies during the period that PCCU was making loans available to her. But I can't see this on the credit reports PCCU obtained. And Miss D's own credit report suggests these accounts were passed to debt recovery companies in August 2022 – after all of PCCU's loans were granted. So, I wouldn't expect this to have had any bearing on PCCU's consideration of Miss D's loan applications.

Miss D's total credit balance varied quite a lot between around £5,000 and £35,000. This wasn't a steadily increasing balance - it was largely dependent on the hire purchase agreement she had each time. In December 2021, at the time of the last loan, Miss D's hire purchase agreement was for around £26,000 and required her to pay around £328pm. So, I can understand why PCCU said Miss D was in a tighter financial position at this time. But I still think it was enough for PCCU to ask Miss D about her income and expenditure as well as carrying out a credit check. I'm not persuaded they should have carried out additional checks.

Did PCCU make a fair lending decision given what they found?

I've reviewed each assessment PCCU carried out and I'm inclined to say that each one shows the loan being made available at the time was likely to be affordable for Miss D. Each time it appears fair consideration was given to Miss D's essential expenditure, and, although PCCU didn't verify Miss D's income, it was relatively consistent from each application to the next.

In some cases, PCCU lent Miss D less than she asked for, for example in November 2019 when she'd just moved house and in June 2021 when she'd recently changed jobs. They've said this reflected their perception of risk at the time.

PCCU also considered Miss D's savings balance and her repayment history with them at the time of each lending decision. Up until May 2021, when Miss D transferred her entire savings balance to her loan account to settle it, this was always over £1,000. The savings balance then grew again from June 2021 onwards. In addition, Miss D made all her repayments on time. So, all the internal information PCCU had suggested the loans would be affordable.

Taking everything together, then, I'm inclined to say PCCU did enough checks before lending to Miss D and made a fair decision to lend to her on each occasion.

Have CCB treated Miss D unfairly in any other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974 (Section 140A). However, for the reasons I've already given, I don't think CCB lent irresponsibly to Miss D or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here."

PCCU accepted my provisional decision, but Miss D didn't. In summary, she said:

- While credit union loans are exempt from certain parts of the Consumer Credit Act, this doesn't remove PCCU's obligations under CREDS to lend prudently and protect members' interests.
- The pattern of repeat borrowing without any meaningful reduction in balance should have prompted PCCU to reassess affordability in detail. Under CREDS 7.3.3G, a credit union must consider total exposure to debt and ensure lending remains prudent.
- There were clear indications that she'd been in financial distress from late 2019 onwards – her bank statements showed several returned direct debits and regular use of her overdraft. PCCU should have identified these red flags and carried out enhanced affordability checks.
- The fact that she kept up her repayments doesn't prove that the lending was affordable. The investigator's original findings make it clear that repayments were being met at the expense of other financial priorities.
- The context of vulnerability was not adequately considered – she'd disclosed that she was suffering from depression and later entered a debt management plan.

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've not been persuaded to change my mind. I'll explain why.

The most relevant exemption in relation to Miss D's complaint is that credit unions are not required to follow the guidance and regulations set out in CONC. Whilst CREDS does require lenders to protect members' interests, it is much less prescriptive than CONC about what a firm needs to do before lending to a member. Miss D has referred to CREDS 7.3.3G, but this was removed from the sourcebook in 2016 and replaced with the requirement that a credit union must establish and implement a prudent lending policy. There is no explicit requirement in CREDS that a credit union assess the affordability of a loan for a prospective borrower. The implication is that a credit union ought to check that the borrower will be able to make the repayments due under the loan, but that is a lower bar than the requirements set out in CONC.

Miss D says there were clear indications from her bank statements that she'd been in financial distress from late 2019 onwards. But PCCU didn't review her bank statements. And I explained in my provisional decision why I thought they'd carried out enough checks without reviewing her bank statements.

I don't agree with Miss D's statement that her repeated borrowing ought to have prompted PCCU to carry out more thorough checks. PCCU asked Miss D for details of her income, expenditure, existing creditors and any missed payments before approving each loan. And

they checked her credit file before all but one of the loans provided from November 2019 onwards. There were no indications from her credit file that Miss D was in a debt spiral – her external borrowing fluctuated rather than steadily increasing.

In addition, Miss D gave a clear purpose for each loan, ranging from paying off other debts to buying Christmas presents. Her total balance with PCCU never exceeded £5,000 and the term of the loan never exceeded two years. In May 2020, when the amount Miss D borrowed increased significantly, PCCU reduced Miss D's access to credit, telling her she couldn't borrow from them for another six months. And on several occasions, the amount approved was less than the amount Miss D had applied for. So, it's clear that PCCU took appropriate measures to manage the amount and frequency of Miss D's borrowing. I'm not persuaded PCCU should have done more checks, and I can't say they should have been aware that the repayments she was making to them were at the expense of other priorities.

Finally, Miss D has told us she suffers from depression, and that she had to set up a debt management plan. I'm very sorry to hear this, but it doesn't change my decision. I haven't seen any evidence that she'd spoken to PCCU about her mental health. And PCCU stopped charging Miss D interest in February 2022, which I understand is when they became aware of her financial difficulties.

In summary, Miss D's response to my provisional decision hasn't changed my mind and I'm not upholding her complaint.

My final decision

As I've explained above, I'm not upholding Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 5 November 2025.

Clare King
Ombudsman