

The complaint

Miss W is complaining that Scotwest Credit Union Limited acted irresponsibly in lending to her. Miss W's complaint has been handled by a representative, but, for ease, I've written as if we've dealt with her directly throughout.

What happened

Miss W joined Scotwest in December 2020, initially using them for savings. She then applied for a series of loans, as follows:

Date	Additional lending, approx.	Total lent	Approved / declined	Repayments needed
February 2021	£500	£500	Approved	£44 every four weeks
February 2022	£945	£1,000	Approved	£60 every four weeks
April 2022	£405	£1,259	Declined	
April 2022	£145	£1,000	Approved	£60 every four weeks
June 2022	£300	£1,206	Declined	
September 2022	£310	£1,000	Approved	£60 every four weeks
April 2023	£500	£1,134	Approved	£60 every four weeks

In November 2024, Miss W complained to Scotwest. She said her credit file at the time of each lending decision demonstrated that the lending wasn't responsible.

Scotwest didn't uphold Miss W's complaint. They explained what checks they'd carried out before approving each loan and why they'd decided to lend to her each time. But Miss W remained unhappy and brought her complaint to our service.

One of our investigators looked into the complaint but didn't uphold it. She said Scotwest's lending policy and the information they obtained from Miss W before approving each loan supported their decision to lend.

Miss W remained unhappy. She said when Scotwest had carried out credit checks they'd initially declined to lend to her because of the state of her credit file but then approved a smaller loan amount. She said this wasn't responsible. Miss W asked for an ombudsman's decision, and the matter's come to me.

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'm not upholding Miss W's complaint for broadly the same reasons as our investigator. I appreciate this will be disappointing for her, but I'll explain my reasons below.

Miss W's loan agreements with Scotwest are exempt agreements, and therefore aren't subject to all the usual consumer credit regulations set out in CONC. But they are subject to the provisions set out in the 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 addition, Scotwest's website says: *“Every loan application is carefully and individually assessed; decisions are based on a range of factors, always considering your income and expenditure and ability to repay.”*

So, in summary, it's reasonable to assume that before providing these loans Scotwest needed to consider Miss W's financial circumstances and the affordability of the loans for her.

Loan 1

In February 2021, Miss W applied for a £500 loan. In the application, she told Scotwest her income from various sources totalled around £2,000 per month and her expenditure on bills and other essentials totalled £901 per month. Scotwest asked Miss W to provide a copy of her employment contract to verify her salary income. They also noted that Miss W paid £30 every four weeks into her savings account and had a balance of £60 in that. Scotwest didn't carry out a credit check, in line with their Small Loans Process (SLP), which didn't require them to do so.

So, in summary, Scotwest verified a portion of Miss W's income and asked her for the details of her income and expenditure. In the circumstances, I'm satisfied this was enough. In saying this I've considered the relatively low value of the loan and repayments when compared to Miss W's income. And I've considered the fact that in saving £30 per month, Miss S had demonstrated an ability to make consistent payments to Scotwest, albeit for only a short period of time.

I also noted that Scotwest carried out a credit check on Miss W in November 2020, prior to her joining the credit union. This credit check showed several defaults, but most were for very low values, and the most recent one had been almost two years prior to this application. The credit check also showed Miss W had little other credit. So, I'm satisfied the credit check didn't suggest Miss W was in financial difficulties or overly reliant on credit at the time of her application to Scotwest.

On balance then, I'm satisfied Scotwest carried out enough checks and acted fairly in approving this loan. That's because there were no signs in the information Scotwest obtained that Miss W would have any difficulty making the repayments needed.

Loan 2

In her application, Miss W told Scotwest her total income had increased to around £2,850 per month, and her essential spending had increased to around £1,000 per month. Scotwest didn't carry out a credit check for this loan, under the SLP. And they didn't take any steps to verify Miss W's income or expenditure.

However, by the time of this application, Miss W had been making payments of £44 to Scotwest every four weeks and there was a balance of only around £55 outstanding on the existing loan.

Miss W had told Scotwest that the reason for the loan was to have a holiday. The repayments needed were just £16 per month more than she'd already been managing to pay consistently. And Miss W had told Scotwest her income had increased. On balance, I'm satisfied Scotwest did enough to be able to fairly decide the loan would be affordable for Miss W.

Loan 3

Just two months later, Miss W applied for a further loan. This time the application was for an additional £400, and the purpose of the loan was given as buying clothes. This would take the total loan balance over £1,000, so Scotwest decided to carry out a credit check as well as obtaining Miss W's income and expenditure information. Miss W told Scotwest her income had reduced to £1,911, and her expenditure had reduced to £883. So, on the face of it, the additional repayments that would have been needed would have appeared affordable. But Scotwest were concerned by the results of the credit check and said they were only prepared to offer Miss W a loan back up to £1,000, with no change to her monthly repayments.

I've reviewed the credit report Scotwest obtained, and I can see it showed Miss W had several defaults. Some of these dated back to April 2019 and earlier – Miss W was paying these off gradually and I don't think Scotwest needed to have been concerned by these. The more recent defaults were on two home credit accounts which defaulted in July 2021 – nine months before this application. And Miss W was in arrears on another home credit account and a mail order account. Whilst these arrears and defaults are concerning, and did prompt Scotwest to decline her application for an additional £400, I'm satisfied they're not concerning enough to say that Scotwest shouldn't have allowed Miss W to increase her total loan back up to £1,000.

I say that for several reasons. Arrears and defaults on home credit don't carry the same amount of weight as mainstream lending. The credit report shows Miss W was reducing the balance on her other defaults and managing her repayments to other creditors well. And it shows she'd recently reduced the arrears on her active home credit account. Finally she'd consistently made all her repayments to Scotwest on time. Considering all of this, as well as the disposable income Miss W appeared to have from her application, I'm satisfied Scotwest made a fair decision to lend to Miss W.

Loan 4

Miss W's application for this loan said her income had decreased further, to around £1,760. And it said her expenditure was around £1,140. This suggested that she still had plenty of disposable income to keep up with the repayments she was already making. Scotwest chose not to carry out a credit check, in line with their SLP, because the total lending was £1,000.

Miss W has said it was irresponsible to approve this loan given that Scotwest had declined her application three months prior based on the results of a credit check. I haven't seen the credit report they obtained at that point, but their summary says it was broadly the same as the report they'd obtained two months earlier. And it's clear from Scotwest's documentation that a significant reason for the decline was the short time since their previous loan and minimal reduction in balance. By September 2022, Miss W's existing loan balance had reduced to under £700, allowing Scotwest to lend her an additional £300 while remaining within the limit of £1,000 with which they were comfortable.

I'm satisfied Scotwest acted fairly in approving this loan. Miss W's consistent payment history and detailed income and expenditure suggested she'd be able to continue making the necessary repayments. The purpose for the loan was given as car expenses – something that is generally considered essential spending rather than discretionary. And I'm not persuaded there was enough negative information in her credit report to say they shouldn't have lent this additional £300 to Miss W.

Loan 5

Miss W told Scotwest the purpose of this final loan was to help with the Easter holidays. It had been six months since her last loan from Scotwest and her balance on that had reduced to around £630. Miss W had again made every payment against that loan on time, by direct debit, suggesting she wasn't having difficulty making the payments.

Miss W's application also suggested the repayments would be readily affordable. In it, she said her monthly income had increased significantly to £2,513 and her monthly expenditure to £1,273. It might have been preferable for Scotwest to obtain more information about Miss S's income given it had increased significantly compared to six months prior. But even if her income had stayed the same, at £1,761, the repayments would still have appeared easily affordable.

Scotwest didn't carry out a credit check. So by this point, it had been nine months since their previous credit check. They've told us their policy allowed them to treat this application in line with their SLP and in the circumstances I'm satisfied that wasn't unreasonable. That's because by April 2023 Miss S had been a longstanding customer. She'd made every one of her payments to Scotwest on time. She'd applied to Scotwest for several loans in quick succession between February 2022 and September 2022, but then hadn't applied for any more until April 2023, suggesting she was becoming less reliant on credit.

Conclusion

Taking everything together then, the most Miss S ever owed Scotwest was £1,134, and the most she ever had to repay them was £60 every four weeks. The checks Scotwest carried out were limited, and at times showed some adverse information. But, taking into account the purpose of the loans, the small amounts involved, Miss S's declared income and expenditure, and her payment history with Scotwest, I'm satisfied Scotwest acted fairly in lending to Miss S on each occasion.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 11 December 2025.

Clare King
Ombudsman