

The complaint

Miss B complains Brent Shrine Credit Union Limited trading as My Community Bank (MCB) failed to properly assess her ability to repay lending prior to approving her for a loan.

What happened

In July 2021, Miss B took out a fixed sum loan with MCB. She borrowed £6,000, and the agreement required her to make an initial payment of £181.37 between the first 20 and 60 days of the loan being provided, followed by 46 monthly repayments of £181.37 and then a final repayment to clear the balance the following month.

In May 2025, Miss B complained to MCB about their decision to lend to her, saying had they verified her income and expenses, they would've found out she was regularly overdrawn with many other outstanding debts, and would've rejected her application.

MCB didn't uphold Miss B's complaint, saying before approving the loan they reviewed her credit report and verified her declared income. They added they'd used the credit report to calculate Miss B's existing credit commitments, statistical data to estimate her other expenditure and included a buffer, before evaluating she'd have enough disposable income to make the monthly repayments.

Miss B remained dissatisfied with MCB's response, so asked our service to investigate. When doing so, she said she was in significant financial distress at the time of the application and that she didn't believe MCB properly assessed her ability to repay the finance prior to approving it.

Miss B said at the time of taking out the agreement, she was consistently overdrawn and had multiple existing loans, payday loans and credit cards, which should've raised significant concerns about her ability to meet the repayments with MCB.

One of our Investigators looked into things but didn't uphold Miss B's complaint. He thought the checks MCB carried out prior to lending were reasonable and because those checks showed the loan appeared affordable for Miss B, he didn't think they'd acted unfairly by deciding to lend to her.

Miss B disagreed with our Investigator saying her bank statements showed large sums of money being paid into her account around a month before applying for the loan. She said despite these funds being used to clear significant other debts, at the time of the application, she'd already fallen back into financial difficulty. She said a reasonable assessment of her circumstances should have shown her financial position was unsustainable.

As a resolution couldn't be reached, 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 Miss B, I'm not upholding her complaint and for much the same reasons as our Investigator. I'll explain why.

What's required of lenders?

Miss B's loan agreement with MCB is an exempt agreement and therefore isn't subject to all the usual consumer credit regulations such as CONC. But it is 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 this loan MCB needed to consider Miss B's financial circumstances and the affordability of the loan for her.

Did MCB carry out enough checks?

MCB carried out their usual automated checks before approving Miss B's loan. This included a review of her credit file, automatically verifying her declared income using a credit reference agency (CRA), using Office for National Statistics (ONS) data to estimate her cost-of-living, and then using this information alongside her actual credit commitments to calculate her likely monthly disposable income.

The credit check MCB carried out showed them at the time of her application, Miss B held four credit cards or store cards and a mail order account. Her utilisation across all these accounts was at around 65% at the time.

Miss B could also be seen to hold four current accounts, two of which could be seen to have overdraft limits however there were no outstanding balances visible to MCB on the credit check at the time.

Miss B's total indebtedness at the time could be seen as being around £5,478, equating to around 25% of her declared annual income. The most recent new credit Miss B could be seen to have taken on was one new credit card or store card opened around six months prior and the credit check showed MCB no signs Miss B had missed payments to any of her credit, that she'd not defaulted on any accounts, or that she'd been subject to any other adverse information which I think ought to have caused MCB concern about her ability to manage credit.

So, in summary, I'm satisfied there wasn't anything MCB saw in the credit file data they obtained to suggest Miss B was in financial difficulty, or that she was in a cycle of persistent debt at the time of her application.

Miss B declared her gross annual income as being around £22,000, which would equate to a net monthly income of around £1,550. MCB then, via their automated checks, verified this amount.

Automated income verification checks generally use the CRA's to look at the turnover going through a customer's current accounts. So, whilst they don't provide quite the same level of

certainty as for example payslips, I think they would have given MCB a reasonable level of confidence that Miss B's income was what she'd told them it was. So, I don't think they ought to have had reason to have completed further checks here.

Using statistical data, MCB estimated Miss B would need to pay monthly around £364 towards rent and around £466 towards other non-discretionary expenditure such as the cost of living. MCB then used the data obtained from the CRAs to add Miss B's actual existing credit commitments of £276 a month, before arriving at her likely having a monthly expenditure figure of around £1,106.

It is a common practice for businesses to use statistical data when estimating some of a consumer's essential expenditure. Here, based on the information obtained from MCB's other checks, I can't say they ought to have had reason to be concerned that Miss B's essential spending was likely to have been significantly different from the average.

After accounting for the required repayment of around £181 towards the new agreement, MCB's calculations suggested Miss B would have around £263 per month in disposable income.

So here I'm satisfied with MCB's checks – and the results of those checks suggested Miss B 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.

But this doesn't automatically mean MCB went on to make a fair lending decision – it's this I'll go on to look at next.

Did MCB make a fair lending decision?

Having decided that the checks MCB carried out were enough, I now have to consider if their decision to go on and lend to Miss B was a fair one.

As I've already said, I haven't seen anything in the credit check information MCB obtained that I think ought to have caused them concerns about Miss B being in financial difficulty or her having a reliance on credit. They saw she had existing credit at the time, but that this was being managed well.

MCB verified Miss B's income to be in line with the gross annual salary she declared, and I'm satisfied they then went on to make reasonable estimates of her rent and other non-discretionary expenditure which they then used alongside her actual commitments to existing credit.

MCB then went on to use this information to calculate Miss B's likely disposable income and were satisfied she would be likely left with a reasonable sum each month, after accounting for the repayments towards the new agreement.

I understand Miss B feels strongly that MCB relied too heavily on automated checks and credit reports, but as I've already explained, having looked at what MCB saw from the results of those checks, I don't think they needed to do more.

It follows; I'm also satisfied MCB acted fairly by going on to decide the agreement was likely affordable for Miss B.

Did MCB treat Miss B unfairly in any other way?

I've also considered whether MCB acted unfairly or unreasonably in some other way given

what Miss B has complained about, including whether their relationship with Miss B might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think MCB lent irresponsibly to Miss B 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 Miss B to accept or reject my decision before 12 February 2026.

Sean Pyke-Milne
Ombudsman