

The complaint

Mr C complains that Salad Finance Limited (Salad) irresponsibly provided him with a loan.

What happened

Salad provided Mr C with a loan of £1,000 in July 2023. The loan was for 18 months with a monthly repayment of £89.61. The total amount payable under the loan agreement was £1,604.85. In summary, Mr C says that Salad lent to him irresponsibly because he was suffering from a gambling addiction. His complaint was rejected by Salad because it considered that its affordability assessment and lending decision had been appropriate.

Mr C remained unhappy and brought his complaint to this service. One of our investigators reviewed matters and considered that Salad's lending had not been irresponsible. Our investigator considered the checks carried out by Salad using open banking data to be reasonable and proportionate.

Mr C didn't agree with the investigator's view. In summary, he considered that Salad should have made further enquiries about internal transfers between some of his accounts which, if looked at fully, would have shown his problems with gambling. As an agreement has not been reached, the complaint has been passed to me to make a 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.

I've looked at all of the information on file, although I may not have commented on everything.

The rules and regulations in place at the time Mr C was provided with the loan, required Salad to carry out a reasonable and proportionate assessment of whether Mr C could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Salad had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr C. In other words, it wasn't enough for Salad to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr C.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Salad did what it needed to before arranging a loan for Mr C.

When assessing affordability, Salad uses open banking data rather than a credit score in making its lending decisions. Its policy, amongst other considerations, is not to lend to those who spend excessive amounts of gambling. When Mr C applied for the loan, he gave consent for the details of two bank accounts to be accessed from which Salad carried out an assessment. These were analysed in the three month period prior to Mr C's loan application.

I've considered this analysis which included average salary, existing credit commitments, and both regular and irregular payments over a three month period. Salad also sought to identify transactions which were gambling related. Salad's checks also established that there were no defaults, county court judgments or a debt management plan in place.

Its analysis established that Mr C's estimated average monthly income was around £2,150, his bills were £616 and his other household and food expenditure was £312. Salad identified £15.20 of gambling related spend over the three month period, £30 of credit related monthly payments and 'buy now pay later' transactions of £41.74. These were all within its tolerance levels. Salad considered that its checks were proportionate and, based upon the information it had, its analysis showed that it could lend to Mr C in a sustainable way.

In correspondence with us, Mr C has raised a number of issues about the checks that Salad made. In sum, he considers they were inadequate.

Mr C highlighted that he had a third account from which he made regular and significant gambling transactions. This account had not been disclosed to Salad when he applied for the loan. Transfers into that account had been made from one of the accounts which Salad had been given permission to access through the open banking process. Mr C highlighted that transfers to the third account were frequent with several transactions happening daily. He felt that Salad should have looked into these transactions further. Had it done so, and then obtained the relevant statements it would have seen that Mr C was making significant gambling transactions. As part of our investigator's work, Mr C has provided his bank statements for this third account and I can see the gambling transactions he is referring to.

I've thought carefully about what reasonable and proportionate checks are in these circumstances. In relation to the bank accounts that Mr C gave Salad access to, I think that Salad carried out a detailed analysis of his overall income and expenditure. From this it was able to make an estimate of his disposable income and determine whether the loan repayments would be sustainable. I've also thought about the size of the loan and I think £1,000 is quite a modest amount. In these circumstances, I think the checks carried out by Salad were proportionate. I agree with our investigator that Salad wasn't obliged to carry out a detailed transaction by transaction analysis on all the entries on Mr C's bank accounts. Having considered the information available to Salad, I don't think that it could reasonably have foreseen that there were monies being transferred to a third account which it didn't have access to, from which gambling transactions were being made. In any event, if Mr C had disclosed the existence of the third account, it wouldn't have been possible for Salad to access it through Open Banking. And, I think the checks that it did carry out on the information available were extensive. All in all, I think it took reasonable steps to check whether there were gambling related transactions on the information it could access.

Mr C highlighted that he had previously applied for loans with Salad which had been declined because of gambling activity. He felt that this added to Salad's failures because they should have been a factor in its decision whether or not to lend him money. Our investigator made enquiries of Salad about these earlier loan applications. Salad stated that it doesn't keep records of previous loan applications for data protection reasons. Rather, once a customer has a loan account, it will retain that data and details about any subsequent applications. I understand why Mr C feels unhappy about Salad's approach, but the issue is whether Salad were acting responsibly at the time it made the decision to grant him the loan.

In this regard, I think the analysis of his income and expenditure at the time of the loan application, which included an analysis of his gambling transactions, was appropriate. I don't think that Salad's failure to take account of earlier lending decisions meant that it was acting irresponsibly.

Mr C has rightly pointed out that Salad failed to identify two transactions within the accessible open banking data totalling around £112 in June 2023 which were gambling related. I've considered this against the backdrop of Salad carrying out a broader income and expenditure analysis over a three month period, as described above. The transactions which Mr C highlights would, on average, amount to around £40 each month. I think it's unlikely that they would have made a material difference to Salad's decision because I don't think they were strong evidence of a gambling addiction.

When taken together, and even allowing for Salad's mis-characterisation of two gambling related transactions, I think reasonable and proportionate checks were carried out by Salad before it gave him a loan for £1,000. I think it made a fair decision to lend to him based upon these checks.

Whilst I appreciate that it will come as a disappointment to Mr C, I don't think Salad has treated him unfairly and I won't be upholding his complaint. Notwithstanding this, given what is now known, I would encourage Salad to contact Mr C to determine whether forbearance should be exercised in relation to any amount outstanding on his loan account.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Salad lent irresponsibly to Mr C or otherwise treated him 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.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 February 2026.

John Butler
Ombudsman