

## The complaint

Miss T complains Brent Shrine Credit Union Limited trading as My Community Bank (MCB) acted irresponsibly by failing to conduct proper checks before approving her for credit.

## What happened

In September 2023, Miss T took out a fixed sum loan with MCB. She borrowed £10,000, and the agreement required her to make an initial payment of £373.88 between the first 20 and 60 days of the loan being provided, followed by 34 monthly repayments of £373.88 and then a final repayment to clear the balance the following month.

In May 2025, Miss T complained to MCB about their decision to lend to her, saying the loan provided was unaffordable and has left her in a great deal of debt and distress.

Miss T said her personal circumstances make her vulnerable and had MCB conducted proper checks, which they didn't do, they'd have seen she had a terrible credit score and a history of taking out debt, including via payday loans.

MCB didn't uphold Miss T's complaint, saying their understanding was she'd applied for the loan to consolidate existing debts. MCB said Miss T's application had been subject to a full credit check and they had verified her income before completing a creditworthiness and affordability assessment. MCB added that they'd not been made aware Miss T suffered from vulnerabilities and after having reviewed the evidence of the checks completed, they didn't agree the loan was issued irresponsibly.

MCB said they could see Miss T had since entered a payment plan to clear the arrears, signposting her towards both internal and external support if she found herself in further financial difficulties.

Miss T remained dissatisfied with MCB's response, so asked our service to investigate. When doing so, she said she'd taken out a large loan with another lender only two months prior and the repayments towards this, alongside the repayments towards her other debt meant the loan was completely unaffordable. She also disputed MCB had verified her income saying if they had done, they'd have seen it was no where near the figure she'd declared.

In addition, Miss T said while she had entered a payment plan, MCB had failed to mention they'd threatened her with court action should she fail to pay her contractual payment and an additional amount to clear her arrears.

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

Regarding the handling of Miss T's account, our Investigator said MCB had dealt with her complaint about their lack of communication separately under another complaint, so she

wasn't able to address her concerns further here.

But our Investigator looked into Miss T's concerns that MCB refused to amend her credit file and that they are making her pay back the arrears on top of her original contractual amount each month.

Our Investigator said because she'd not found MCB to have acted irresponsibly by lending to Miss T, she didn't think they were being unreasonable by asking for the account to be paid up to date. But she said should Miss T have been struggling to meet the repayments; she'd expect them to treat her with forbearance, so the presence of a repayment plan at a reduced amount and their signposting towards support was the right thing for MCB to have done.

Miss T disagreed with our Investigator saying at the time of the application, MCB's checks wrongly listed her debt, as they excluded further debt owed towards credit cards and loans. Miss T added, being the dependent of three children, she didn't have any disposable income and had MCB checked her bank statements, it would have raised massive concerns.

Miss T also clarified she wasn't being asked to pay a reduced amount under the terms of the payment plan, rather she was being asked to pay around £124 each month in addition to the original contractual monthly repayment of around £373.

Our Investigator explained that while Miss T had declared a higher income, after payslips verified it to be lower, MCB had used the lower figure to assess her affordability. She also said regarding Miss T's existing credit at the time, MCB had only been aware of the debt present on the credit reference agency (CRA) check they'd completed.

Our Investigator also explained the repayment plan put in place was to bring the agreement back up to date, and that Miss T had agreed to it to avoid the account being defaulted.

Miss T remained of the opinion the loan was completely unaffordable and that MCB ought to have requested to see her bank account statements. She also said MCB didn't leave her with any other option than to accept the payment plan and said she'd since been unable to make her repayments to the account, but again MCB had failed to communicate with her.

Because Miss T remained unhappy and 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 T, 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 T'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 T'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 T's loan. This included a review of her credit file, automatically verifying her income using a credit reference agency (CRA) and requesting sight of her recent payslips.

MCB then used their knowledge of Miss T's commitments to existing credit and statistical data from the Office for National Statistics (ONS) to estimate her cost-of-living expenses. They then added a buffer and used all the information to estimate her disposable income.

The credit check MCB carried out showed at the time of her application, Miss T had four credit or store cards towards which she owed a total of around £7,600 against combined credit limits of £13,310. Miss T could also be seen to hold three deferred payment credit accounts towards which she owed a total of £110. Finally, Miss T could be seen to hold a bank account, two utilities accounts and a communications account.

Across all Miss T's existing credit, MCB could see she was managing her accounts well, with no signs of any missed or late payments and no signs of any defaults or other adverse information I think ought to have caused them concern about her ability to manage credit.

I acknowledge Miss T says she took out a large loan just prior to her application with MCB, but having looked at the credit report they obtained, this agreement wasn't visible to them.

New agreements can take some time to appear on a credit file. The loan in question was taken out around one month prior, so I don't think it's unreasonable that it hadn't yet updated and I'm satisfied MCB weren't aware of its presence at the time of their lending decision.

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

Miss T declared her gross annual income as being around £40,000. After having tried to verify this amount automatically, MCB obtained payslips from Miss T and verified her income as being around £28,300 – meaning she received on average £1,918 net each month.

Based on the credit check data, MCB estimated Miss T would need to pay around £253 per month towards her existing creditors. Adding in the repayments towards the new application, it increased this figure to around £627 per month. MCB then used statistical data to estimate Miss T's monthly housing costs to be around £445 and her other monthly non-discretionary expenditure to be around £560, added a buffer of £50 a month, and calculated she'd have around £236 disposable income each month.

It is a common practice for businesses to use statistical data when estimating 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 T's essential spending was likely to have been significantly different from the average.

On balance, in the circumstances here I'm satisfied with MCB's checks – and the results of

those checks suggested Miss T 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 T 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 T being in financial difficulty or her having a reliance on credit.

MCB verified Miss T's income via her payslips and used the verified figure rather than the original figure declared, and I'm satisfied they then went on to make reasonable estimates of her commitments to existing credit commitments, housing costs and other non-discretionary expenditure.

MCB then went on to use this information to calculate Miss T's likely disposable income, and I'm satisfied MCB found Miss T likely to have sufficient disposable income to sustainably afford the loan.

In addition, while I think MCB found Miss T likely to have sufficient disposable income when including her commitments to existing credit, considering that Miss T's declared intention for taking out the loan was to consolidate some of her existing debt, I think this would've given MCB confidence her disposable income was, if anything, more likely to increase from the figure calculated when she went on to repay other debt.

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

#### Did MCB treat Miss T unfairly in any other way?

MCB have addressed Miss T's concerns about their lack of communication with her under a separate complaint, so because of this, I'm not going to comment on those issues here.

Miss T's also told our Investigator that whilst waiting for me to look into her complaint, she's fallen into further difficulties in making her repayments. I'm sorry to hear of the difficulties Miss T continues to face, and I'd like to take this opportunity to remind MCB that as they are clearly aware of Miss T's circumstances, they should continue to treat her going forward with forbearance and due consideration. But it wouldn't be fair for me to consider things that have occurred since MCB addressed Miss T's concerns. Because of this, my focus here will be on what happened prior to MCB responding to her complaint.

I acknowledge Miss T feels MCB left her no option but to accept the payment plan to bring her arrears at the time up to date. Having thought about MCB's actions here, I'm not persuaded they did anything wrong. I'll explain why.

MCB informed Miss T of the amount that would need to be paid to bring her account up to date and out of arrears within nine months and to keep the account from defaulting. MCB sought Miss T to complete an income and expenditure form and made it clear they didn't expect her to pay this amount if it was unaffordable.

I can see when Miss T told MCB she would find it difficult to complete the form, MCB asked if she had anyone that could assist her or to help her go through it themselves. This wasn't something Miss T wanted to do and I can understand that. Her priority was to avoid the account defaulting and paying a lesser amount would have resulted in just that, so instead she wanted to proceed in setting up the plan.

At the time, Miss T's account was approaching 90 days in arrears, having already been on a payment plan previously. I understand Miss T wanted to both continue the over-payments she'd been previously paying and avoid the account defaulting; but this would have meant the account exceeded 90 days in arrears and I don't think it was unreasonable for MCB to have been clear about that. I don't think MCB acted unfairly here.

I've also considered whether MCB acted unfairly or unreasonably in some other way given what Miss T has complained about, including whether their relationship with Miss T 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 T or otherwise treated him 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 here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 20 February 2026.

Sean Pyke-Milne  
**Ombudsman**