

## **The complaint**

Mr M complains Scotwest Credit Union Limited (Scotwest) acted irresponsibly by failing to request sight of his bank account statements before approving him for credit.

## **What happened**

In November 2018, Mr M took out a fixed sum loan with Scotwest. He borrowed £2,802, and the agreement required him to make 37 monthly repayments of £100.

In May 2025, complaining about Scotwest's decision to lend to him, Mr M said at the time he had a high level of existing debt and was experiencing severe financial difficulties.

Mr M said if Scotwest had reviewed his bank account statements they'd have seen a clear pattern of him conducting gambling transactions and by not doing so, they failed to take into account his financial vulnerability.

Scotwest didn't uphold Mr M's complaint, saying a thorough affordability assessment was conducted based on the information provided to them prior to the loan being approved.

Mr M remained dissatisfied with Scotwest's response, so asked our service to investigate. When doing so, Mr M said in addition to Scotwest's failure to obtain or consider his bank statements, they'd relied upon an incomplete credit check which failed to show the extent of this borrowing.

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

Mr M disagreed with our Investigator, saying Scotwest had failed to assess the risk his gambling transactions had on his ability to sustainably repay the lending. He also said they'd failed to identify all his existing credit liabilities, in line with the Financial Conduct Authority's (FCA) consumer credit sourcebook (CONC).

In summary, Mr M said Scotwest had failed to carry out proportionate affordability checks and made an unfair lending decision which worsened his financial position.

Mr M asked for an Ombudsman's decision, so 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 Mr M, I'm not upholding his complaint and for much the same reasons as our Investigator. I'll explain why.

### What's required of lenders?

Mr M's loan agreement with Scotwest 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 Scotwest needed to consider Mr M's financial circumstances and the affordability of the loan for him.

#### Did Scotwest carry out enough checks and make a fair lending decision?

Mr M applied to borrow £6,000 for the purpose of debt consolidation. He declared earning a net monthly income of £1,328 at the time, which Scotwest verified via his payslips. Mr M said he could afford to make repayments of £100 a month towards the new agreement, stretching to £150 if required.

At the time of the application, Mr M held an existing loan with Scotwest to which he was repaying £75 per month. Scotwest could see he'd made four successful repayments to the loan and the settlement balance owed was to be included in any debt consolidated into the new agreement.

Scotwest completed a credit check and saw in addition to the loan with them, Mr M held a current account, a comms account and a credit card with an outstanding balance of around £3,100, a debt he was looking to include within the consolidation. All active accounts could be seen to be being managed well.

In addition to the active accounts on his credit file, Mr M let Scotwest know about a further loan with an outstanding balance of £2,045. Mr M's committed repayments towards the loan were around £85 a month and he was also looking to consolidate this debt into the new loan agreement.

While Scotwest could see Mr M had settled a number of loans without missing any repayments previously, they could also see signs he'd faced some financial difficulties with regards to other agreements in the past. Mr M had defaulted on one loan and entered an arrangement to pay on another, however as these were in 2012 and 2016 respectively, I think it's reasonable these issues were considered to have been historic.

Scotwest also saw Mr M entered a further arrangement to pay on a credit card in 2018, but when asked, he advised them he'd faced issues around the time due to being off work as a result of illness. So, overall, I don't think anything Scotwest found, ought to have given them reason not to lend to Mr M.

Scotwest also asked Mr M for his essential expenditure which he declared as being £1,204 in total. This included £440 towards rent and council tax, £274 towards existing credit commitments and £490 towards other living costs such as food, transport and utilities. From this information Scotwest calculated Mr M had a disposable income of around £124 a month.

Having assessed all the information, Scotwest declined Mr M's initial request for £6,000. But

instead, offered him a lower amount of £2,802 which allowed him to consolidate his existing loan with them and the £2,045 loan balance he held elsewhere. Scotwest did this on the basis that the new loan was on a much lower interest rate than the loan held elsewhere and that Mr M's overall outgoings would reduce by around £85.

Having considered all the information together, I'm satisfied that Scotwest's carried out enough checks – and that the results of those checks suggested Mr M 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 him.

Mr M was already paying £75 towards an existing loan held with them and he was paying a further £25 into a savings account with them. Mr M was then paying £85 towards a loan held elsewhere. Factoring in all three outgoings, by consolidating the two loans, Mr M's overall commitment to the debt would reduce by around £85.

Mr M says Scotwest ought to have obtained copies of his bank statements and had they done they would have seen a clear pattern of gambling transactions and a high level of existing debt including multiple payday loans. But I've already explained why I'm satisfied Scotwest's didn't need to carry out further checks.

Mr M notified Scotwest about the loan he was looking to consolidate which, more likely than not due to how recently it had been opened, hadn't shown up on the credit check obtained.

But Mr M didn't make Scotwest aware of any other outstanding debt at the time of the application and no further accounts were visible on the credit check completed. So, I can't say they ought to have been aware of any other borrowing Mr M might have had. After the application, Mr M did make Scotwest aware of one further loan, but by this time they'd already approved his loan, and the funds had been paid out.

Scotwest had sight of Mr M's credit card statements, provided as evidence of the debt he was looking to consolidate. On the statements Scotwest could see Mr M had conducted some gambling transactions but they didn't deem these indicative of him having a gambling issue.

Having looked at the statements, considering the number of transactions of this nature, and the frequency of which they were made, I think Scotwest acted fairly by not looking into them further. The loan amount agreed was to repay an existing loan with them and another elsewhere. During the application, Mr M had said he was willing for Scotwest to transfer the funds of the loan to his other creditors on his behalf. While this was not something Scotwest offered at the time, I think it was reasonable for them to be confident Mr M would use the funds borrowed for the intended purpose.

In summary, the loan approved allowed Mr M to consolidate a loan elsewhere and reduce his outgoings by around £85 a month. The repayments towards the new agreement were equal to what Mr M had already been paying towards his existing loan with Scotwest and into his savings account with them, so I'm also satisfied CCB acted fairly by going on to decide the agreement was likely affordable for him.

#### Did Scotwest treat Mr M unfairly in any other way?

Scotwest have confirmed following notification of Mr M's bankruptcy his account moved to dormant, and his loan balance subsequently written off. I've not seen anything to suggest Scotwest treated Mr M unfairly here.

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

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

However, for the reasons I've already given, I don't think Scotwest lent irresponsibly to Mr M 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 December 2025.

Sean Pyke-Milne  
**Ombudsman**