

The complaint

Mr P is complaining that North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank (CCB) acted irresponsibly in lending to him.

What happened

In December 2024, Mr P applied for a loan with CCB. They lent him £10,000 over a five-year term, with monthly repayments of around £287 throughout.

Mr P complained to CCB in July 2025. He said they hadn't properly checked he could afford to take the loan out and he was now in severe financial hardship. Mr P said his financial situation should have clearly indicated he couldn't afford the repayments without compromising essential living costs. And he referred to the approval of multiple substantial loans simultaneously.

CCB didn't uphold Mr P's complaint. They said they'd carried out appropriate checks before lending to Mr P and, as Mr P had met their lending criteria, they were confident they'd lent responsibly to him. They also said that they'd understood he was going to use the loan proceeds to consolidate his existing debts – which would reduce his monthly outgoings. If that wasn't the case, they said, he'd acted dishonestly.

Mr P remained unhappy and brought his complaint to our service. One of our investigators looked into Mr P's complaint and didn't think it should be upheld. In summary, he thought CCB had done enough checks and had made a fair lending decision based on the results of those checks.

Mr P disagreed. He sent a detailed income and expenditure report, together with a list of his loans and credit card debts and said this showed the agreement was unaffordable for him. He added that he had an addiction to gambling and spread betting, and a chronic condition that meant it was essential he had a car to get to work. Mr P said these indicators of vulnerability should have led CCB to carry out additional checks.

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 Mr P's complaint for broadly the same reasons as our investigator. I appreciate he's in a very difficult position financially and I realise this will be disappointing for him, but I'll explain more below why I can't say CCB ought to have realised the loan would be unaffordable.

What's required of lenders?

Mr P's loan agreement with CCB is an exempt agreement, and therefore isn't subject to all the usual consumer credit regulations set out in CONC. But it is 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.

So, in summary, it's reasonable to assume that before providing this loan CCB needed to consider Mr P's financial circumstances and the affordability of the loan for him.

Did CCB carry out enough checks?

Before lending to Mr P, CCB:

- Obtained Mr P's income from his application and used an automated tool provided by a credit reference agency to verify this;
- Carried out a credit check, and used information from the credit report to estimate Mr P's monthly credit commitments;
- Used Office for National Statistics (ONS) data to estimate Mr P's non-discretionary spending; and
- Used these figures to carry out an affordability assessment and determine that the monthly repayments would be affordable for Mr P.

CCB found Mr P had no recent missed payments, defaults, or other adverse information on his credit file. And they found he'd had only one credit search carried out in the preceding three months and had opened no new accounts in the preceding six months. They calculated his existing unsecured debt was around 60% of his annual income, well within their threshold of 90%. CCB's credit check showed Mr P was near the limit of his overdraft. But his utilisation on his credit cards was only around 44%. So, he didn't appear to be in any financial difficulties.

Although CCB's checks were automated, this doesn't make them insufficient. I appreciate the loan was substantial. But these automated checks are widely used across the lending sector in the United Kingdom. And there's nothing in Mr P's application data or credit file data that suggests it wasn't appropriate for CCB to use them. I appreciate he's told us he applied for several substantial loans simultaneously. But CCB had no way of knowing that – only one recent credit search showed up on their checks. Mr P also told us about certain vulnerabilities. But again, CCB had no way of knowing about these. So, I can't say they should have carried out additional checks because of Mr P's other loan applications or his vulnerabilities. And, in summary, I'm satisfied they carried out enough checks.

Did CCB make a fair lending decision?

Having decided that CCB carried out enough checks, I have to consider whether their decision to lend to Mr P was fair.

CCB estimated that Mr P's payments to existing creditors needed to be around £829 per month, his rent payments would be around £572, and his other essential expenditure would be around £638 per month. They added on the repayments needed for this loan and a "buffer" of £50 and estimated that he'd need income of at least £2,377 per month to meet his credit commitments and estimated essential expenditure. And they were able to verify he had at least this amount. CCB haven't told us exactly how much income they verified but an online take-home pay calculator suggests he'd have had around £2,600 per month after tax.

I've reviewed the components of CCB's calculation and I'm satisfied they're reasonable. And Mr P's monthly income was likely around £200 per month higher than CCB estimated he'd need. This doesn't take into account any potential saving Mr P might have made if he had consolidated some of his existing debts – which would have made the agreement appear more affordable. So, taking everything together, I'm satisfied it was fair for CCB to decide the agreement would likely be affordable for Mr P.

I appreciate this will be disappointing for Mr P. But it wouldn't be fair to say CCB should have been aware that he was making multiple loan applications at the same time, or that he was suffering from addiction and chronic illness.

Did CCB treat Mr P unfairly in any other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974 (Section 140A). However, for the reasons I've already given, I don't think CCB lent irresponsibly to Mr P 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

As I've explained above, I'm not upholding Mr P's complaint.

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

Clare King
Ombudsman