

## The complaint

Ms C complains that Marks & Spencer Financial Services plc trading as M&S Bank (M&S) irresponsibly provided her with two loans.

## What happened

M&S provided Ms C with two loans, as follows:

Date	Loan amount	Period	Monthly repayment
June 2022	£6,500 (Loan 1)	48 months	£154.71
June 2023	£1,800 (Loan 2)	24 months	£91.58

In summary, Ms C considers that M&S lent to her irresponsibly because its affordability assessments had been insufficient. Her complaint was rejected by M&S because it considered that its lending decisions had been appropriate.

Ms C remained unhappy and brought her complaint to this service. Whilst Ms C's complaint also related to other lending by M&S, this decision solely relates to the above loans.

One of our investigators reviewed matters and considered that M&S' lending had not been irresponsible.

Whilst M&S agreed with our investigator's view, Ms C didn't. 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 Ms C was provided with the loans, required M&S to carry out reasonable and proportionate assessments of whether she could afford to repay what she owed in a sustainable manner. These are sometimes referred to as 'affordability assessments' or 'affordability checks'.

The checks had to be 'borrower' focused. This means M&S had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Ms C. In other words, it wasn't enough for M&S to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Ms 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 M&S did what it needed to before arranging the loans for Ms C.

## **Loan 1**

When Ms C applied for this loan she declared that her annual income was £24,500. She lived with her partner. Her outstanding mortgage was £65,000 and she declared that her monthly housing costs were around £240. The purpose of the loan was for debt consolidation. M&S carried out a credit check. This showed that Ms C's unsecured debt was around £3,450 and her debt to income ratio was 14%. There were no defaults or arrears on her credit file nor any County Court Judgments or similar either.

When our investigator looked into matters, he proceeded on the basis that M&S had not carried out an affordability assessment. Notwithstanding that, he concluded that M&S had still not lent unfairly. However, in subsequent correspondence, M&S confirmed that it had carried out the affordability assessment referred to in the documents provided to us. Looking at the file, it seems that there has been some confusion as to whether M&S carried out income and expenditure assessments *before* the lending decisions were made (rather than after the complaint had been made).

In any event, in terms of the checks carried out by M&S, it verified Ms C's income by reference to statistical data. It estimated that her net monthly income would be around £1,585. It considered her outgoings using its own modelling, taking account that some of Ms C's expenses would be shared with her partner. M&S estimated that Ms C's net disposable income was around £710. Given that the monthly repayments due under Loan 1 were around £155, it concluded that the loan would be affordable.

In the circumstances, I think that the checks carried out by M&S were reasonable and proportionate. There was nothing in the credit check that indicated that Ms C might be in financial difficulty and M&S had taken reasonable steps to assess affordability. I can't see anything which suggests that M&S acted unfairly here. Overall, I've reached the same conclusion as our investigator.

## **Loan 2**

When Ms C applied for Loan 2, she declared that her annual income was £27,000. She similarly lived with her partner. Her outstanding mortgage was now £66,000 and she declared that her monthly housing costs were around £180. M&S carried out a further credit check. This showed that Ms C's unsecured debt was around £13,000 and her debt to income ratio was around 48%. Whilst there were no defaults on her credit file nor any County Court Judgments or similar, there had been a missed payment in relation to Loan 1. M&S similarly verified her income by reference to statistical data. It estimated that her net monthly income would be around £1,730. Its affordability assessment concluded that she would have around £530 of disposable income to pay the £90 monthly repayments. On the basis of this information, it proceeded to grant Ms C the loan.

In circumstances where the level of Ms C's unsecured debt had nearly trebled in around 12 months and there was evidence that she might be experiencing some difficulty in making repayments on Loan 1, I think M&S should have done more to see whether Ms C would be able to afford Loan 2.

I've reviewed the bank statements Ms C provided for the three month period leading up to Loan 2 being granted. I've done this to better understand Ms C's committed non-discretionary expenditure. That's not to say that I think M&S needed to review bank

statements – further checks could have been carried out in a variety of ways. Rather, this is an easy way for this service to piece together what further checks would have shown had they been carried out.

Having reviewed these statements, I've estimated that Ms C's average monthly disposable income was around £1,930. In looking at her expenditure, I've solely focused on her committed expenditure comprising the regular direct debits on her accounts and the cost of her existing debt commitments. I've estimated that, in total, these costs were around £1,010 each month. I've also considered Ms C's contribution to housing costs of £180. Taking all of this into account, I've estimated that Ms C's disposable income was around £740 each month. I think that this would be sufficient income to allow Ms C make the monthly repayments of £91.58. So, I think that if further checks into her circumstances had been carried out, I think that they would have shown that Loan 2 would be affordable for her.

Therefore, whilst I know this won't be the outcome Ms C is hoping for, I don't think M&S acted unfairly or unreasonably when it provided her with the loans. It follows that I'm not upholding her complaint.

Finally, I've also considered whether the relationships 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 M&S lent irresponsibly to Ms C or otherwise treated her 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 Ms C to accept or reject my decision before 23 March 2026.

John Butler  
**Ombudsman**