

The complaint

Miss J complains Brent Shrine Credit Union Limited trading as My Community Bank (MCB) acted irresponsibly by approving her for lending beyond her capacity to repay, without the repayments causing substantial financial distress.

What happened

In March 2023, Miss J took out a fixed sum loan with MCB. She borrowed £20,000, and the agreement required her to make an initial payment of £513.29 between the first 20 and 60 days of the loan being provided, followed by 58 monthly repayments of £485.62 and then a final repayment to clear the balance the following month.

In January 2025, Miss J complained to MCB about their decision to lend to her, saying the loan provided was unaffordable and if they had carried out proper checks, they'd have seen her financial circumstances were not suitable for the loan provided.

Miss J said the debt has caused her financial hardship and emotional distress, resulting in her making minimal repayments towards the debt via a debt charity.

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

Miss J remained dissatisfied with MCB's response, so asked our service to investigate.

One of our Investigators looked into things but didn't uphold Miss J'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 J, she didn't think MCB had acted unfairly by deciding to lend to her.

Miss J disagreed with our Investigator saying, MCB's checks were based on inaccurate and overstated income figures and did not reflect her true disposable income at the time of the application.

Miss J also said given her level of indebtedness, a responsible lender should have considered her overall debt-to-income ratio before approving further borrowing, regardless that it was indicated the loan was for debt consolidation.

Our Investigator explained that while Miss J had declared a higher income, MCB had gone on to verify the amount, so she didn't think they had any reason to doubt the figure provided.

Our Investigator also said while Miss J might not have gone on to consolidate other debt, this knowledge is in hindsight, and it was reasonable for MCB to have assumed her commitments to existing debt would go on to reduce after taking out the new loan.

Because Miss J 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 J, 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 J'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 J'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 J's loan. This included a review of her credit file and automatically verifying her income using a credit reference agency (CRA).

MCB then used their knowledge of Miss J'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 J had three unsecured loans and one Higher Purchase Agreement (HPA) with balances outstanding totalling around £50,700. She also had a credit card to which she owed around £600 against a credit limit of £10,000, two communications accounts and a bank current account.

Across all Miss J'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 which I think ought to have caused them concern about her ability to manage credit.

I acknowledge Miss J took out a large loan in December 2022, but having looked at MCB's lending policy, and looking at this application alongside her overall credit management, I'm satisfied this alone shouldn't have prompted MCB to have carried out more checks.

While Miss J's existing debt to loans and the HPA was high, her declared income was also substantial and having declared the new loan was being taken out for debt consolidation purposes, I think it's reasonable for MCB to have placed slightly less weight on her existing

credit with the understanding this figure would be reduced as a result of her taking out the new loan.

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

Miss J declared her gross annual income as being £73,500. MCB verified the declared income automatically via the CRAs and calculated Miss J to be earning a net monthly income of £4,237.09.

Based on the credit check data, after consolidation, MCB estimated Miss J would need to pay around £1,286 per month towards her existing creditors. Adding in the repayments towards the new application, it increased this figure to around £1,769 per month. MCB then used statistical data to estimate Miss J's monthly housing costs to be around £750 and her other monthly non-discretionary expenditure to be around £838. MCB then calculated she'd have around £880 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 J'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 J 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 J 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 J being in financial difficulty or her having a reliance on credit.

MCB verified Miss J's income via an automated CRA check and were provided confidence her account turnover was in line with her declared income and that it hadn't been overstated. I'm satisfied they then went on to make reasonable estimates of her commitments to existing credit, housing costs and other non-discretionary expenditure.

MCB then went on to use this information to calculate Miss J's likely disposable income, and I'm satisfied MCB found Miss J likely to have sufficient disposable income to sustainably afford the loan.

In addition, while I think MCB found Miss J likely to have sufficient disposable income when including her commitments to existing credit, considering that Miss J'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 further from the their calculated figure 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 J unfairly in any other way?

Miss J defaulted on her agreement, and I can see MCB are accepting reduced payments towards the debt as part of a debt management plan Miss J entered.

While I understand Miss J has concerns about the interest applied to her account prior to the default, this is being looked at under a separate complaint – so I won't comment on that here.

Having looked at everything else, I've seen nothing to suggest MCB acted unfairly in any other way.

I've also considered whether MCB acted unfairly or unreasonably in some other way given what Miss J has complained about, including whether their relationship with Miss J 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 J or otherwise treated her 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 Miss J to accept or reject my decision before 10 March 2026.

Sean Pyke-Milne
Ombudsman