

The complaint

Mr N is complaining that Brent Shrine Credit Union Limited trading as My Community Bank (MCB) lent to him irresponsibly by providing him with a personal loan.

What happened

In April 2023, Mr N applied for a loan with MCB. They approved his application and lent him £11,000 over a three-year term. The loan required Mr N to make an initial payment of around £497, 34 monthly repayments of around £458, and a final payment to clear the balance.

Mr N complained to MCB in March 2025, saying they shouldn't have given him the loan as it was unaffordable.

MCB responded, saying they'd carried out appropriate checks before lending to Mr N. They said they'd reviewed Mr N's credit file and used credit reference agency (CRA) data to verify his income, CRA data to assess his credit commitments, and Office for National Statistics (ONS) data to estimate his other essential expenditure. They said they were satisfied that Mr N met their lending criteria from both a creditworthiness and affordability perspective and so didn't uphold his complaint.

Mr N wasn't happy with MCB's response, so he brought his complaint to our service and one of our investigators looked into it. Our investigator's view was that the complaint shouldn't be upheld – she thought MCB had carried out enough checks and made a fair lending decision based on the results of those checks.

MCB accepted this but Mr N did not. He said he'd taken out two loans totalling £10,000 in the six months prior to MCB lending to him. He said at the time he was at over 90% utilisation of his credit card limits. And he said he was constantly in his overdraft. Mr N said this meant MCB should have done more checks, and if they had, he said, they'd have realised he was earning significantly less than the amount they'd verified and was gambling heavily. In summary, he said, it should have been clear to MCB that he was reliant on credit. He asked for an ombudsman's decision and the complaint came to me.

I issued a provisional decision in October 2025. In that, I said I wasn't persuaded that MCB had done enough checks. But, I said, if they had, they'd have likely still been able to fairly decide to lend to Mr N. I explained my reasoning as follows:

“Mr N's loan agreement with MCB 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. In addition, MCB's website says: "we only lend what you can afford to pay back" and their final response letter to Mr N says they're required to carry out an affordability assessment to ensure the loan is affordable.

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

Did MCB carry out reasonable checks?

MCB's loan required Mr N to pay back nearly £17,000 (including interest), over a three-year period. So I'd expect their checks to have been thorough.

Before lending to Mr N, MCB:

- Obtained Mr N's income from his application and used an automated CRA tool to check this;*
- Carried out a credit check, and used information from the credit report to assess Mr N's monthly credit commitments;*
- Used ONS data to estimate Mr N's non-discretionary spending;*
- Used all these figures to carry out an affordability assessment and determine that the monthly repayments would be affordable for Mr N.*

Looking at the credit report MCB obtained, I can see Mr N had taken out two loans in the preceding six months, with one of these being just two months prior. I'm inclined to say this pattern ought to have caused MCB some concern – Mr N had borrowed around £7,000 just a few weeks before applying for this loan. On top of this, he had high utilisation of his credit cards and was using his overdraft. So, although Mr N had managed all his accounts well, his credit file suggested he might be increasingly reliant on debt. In addition, the funds from the recent loans being paid into Mr N's bank account would likely have impacted their automated income verification. So, I think MCB should have taken additional steps to check Mr N's income and understand his non-discretionary expenditure.

If MCB had carried out further checks, what would they have found?

Just because I don't think MCB carried out enough checks doesn't mean I can uphold Mr N's complaint. I have to consider what they would have found if they had carried out enough checks.

As I've explained above, I think MCB should have done more to check Mr N's income. If they'd done so, I'm inclined to say they'd have found it was around £1,890 per month – significantly less than he'd told them.

However, if MCB had asked Mr N further questions about his spending, they'd likely have discovered he paid no rent or utilities, because he was living with family at the time. Apart

from payments to his creditors, he had little in the way of regular spending – his direct debits totalled around £165 per month. Deducting that figure, Mr N's existing credit commitments, and the repayments needed under this agreement from his monthly income would have left him with around £550 per month, which MCB could reasonably have decided was enough to cover food and other essential living costs. They could also have factored in the fact that Mr N had told them the loan would be used for debt consolidation, which would have made it appear even more affordable.

Mr N has told us he was gambling heavily at the time of his application to MCB. I can see that from his bank statements, and I appreciate the stress it must have caused him. I understand why he thinks MCB shouldn't have lent to him. However, I have to consider what they'd likely have found out. And, on balance, I'm inclined to say it's likely MCB would have been able to verify Mr N's income and estimate his cost of living without reviewing Mr N's bank statements – and so they wouldn't have found out about his gambling addiction.

Did MCB treat Mr N 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 N 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."

MCB didn't respond to my provisional decision, but Mr N did. In summary, he said:

- His high levels of existing debt should have made it clear to MCB that he would be at risk of default.
- The £11,000 MCB lent him took his debt-to-income ratio to 109%.
- Added to this, he had high utilisation of his credit cards and overdraft.
- The bank statements he'd provided to us showed he was in serious financial trouble at the time of applying to MCB. The amount of credit he'd accessed recently should have led MCB to review his bank statements.
- His spending was low because he didn't have much to live on once he'd paid his creditors each month.

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've not been persuaded to change my mind. I realise this will be disappointing for Mr N but I'll explain why.

As Mr N says, he had high levels of existing debt – MCB's credit check found he had balances totalling around £12,200. But he told MCB his gross annual income was £35,000. So, as a percentage of his annual income, his level of debt wouldn't have appeared unusually high. Mr N had told MCB he'd be using their loan to consolidate existing debts. So they'd reasonably have been able to expect that his debts wouldn't increase significantly when the loan was approved – instead they'd have expected that Mr N would use the money from the loan to pay off most of his existing debts.

Mr N says as well as his high overall credit, his high utilisation of his credit cards and overdraft should have prompted MCB to review his bank statements. But the credit report they obtained shows his usage across his credit cards and overdraft was around 70% - which I wouldn't describe as particularly high.

In addition, there were no missed payments or arrears on any of Mr N's existing accounts.

So, looking at Mr N's credit report as a whole, I remain of the opinion that MCB should have done more checks, but they didn't need to go as far as reviewing Mr N's bank statements. I'm satisfied they could have verified Mr N's income and asked about his own expenditure without checking his bank statements.

Mr N's bank statements showed low levels of regular and non-discretionary expenditure. Mr N says this is because he didn't have much money left after he'd paid his creditors, and he was having to borrow from family members every month. His suggestion is that it should have been apparent to MCB that he wouldn't be able to afford the loan repayments. However, when I reviewed Mr N's bank statements, I noticed a relatively high level of discretionary spending (for example eating out) as well as gambling. I remain of the opinion that if MCB had asked Mr N about his essential spending, these transactions wouldn't have come to light and MCB would have been able to decide the lending was affordable for Mr N.

I do appreciate that Mr N has found himself in financial difficulties, and I realise how challenging this must be. But I can't say that was MCB's fault. In summary, he applied to MCB for a loan to consolidate existing debts, his credit file suggested he was managing his existing debts well, but they were quite high. So MCB should have found out more about his income and essential spending, but if they had they'd have been able to decide the repayments would be affordable.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 15 December 2025.

Clare King
Ombudsman