

## The complaint

Ms L complains that My Finance Club Limited (“MFC”) failed to carry out proportionate affordability checks before it lent to her.

## What happened

A summary of Ms L’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	term (number of days)	expected settlement value
1	£200	10/09/2024	27/09/2024	30	£248
2	£300	27/09/2024	25/10/2024	28	£367.20
3	£400	25/10/2024	11/11/2024	35	£512
break in lending					
4	£300	25/05/2025	08/06/2025	34	£381.60
5	£400	08/06/2025	outstanding	47	£550.40

Although all of these loans had variable terms of between 28 and 47 days for each loan Ms L was only required to make one repayment – the ‘*expected settlement value*’ column is the amount Ms L needed to pay for each loan. Ms L has had some problems repaying her final loan and MFC says an outstanding balance remains due.

MFC considered Ms L’s complaint and didn’t uphold it, saying it granted the loans because they appeared affordable based on what Ms L had provided as well as the results of its checks. Unhappy with the response, Ms L referred the complaint to the Financial Ombudsman.

In the Investigator’s assessment, she didn’t uphold the complaint. Ms L didn’t agree and I’ve summarised her response below.

- The loans weren’t affordable because the checks MFC conducted weren’t sufficient.
- At the time of each application Ms L was in financial difficulties including using her overdraft and five credit cards which were at their credit limits.
- Ms L was stuck in a cycle of borrowing and there was a pattern of repeat lending.

These comments didn’t change the Investigator’s mind and as no agreement has been reached, the case has been passed to me for 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.

We’ve set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website. I’ve taken these into account when considering this complaint.

MFC had to assess the lending to check if Ms L could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. MFC's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Ms L's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest MFC should have done more to establish that any lending was sustainable for Ms L. These factors include:

- Ms L having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Ms L having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Ms L coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Ms L. The Investigator didn't consider this applied in Ms L's case and I would agree, given the number of loans in each lending chain.

I have considered what Ms L says about the pattern of lending and I can see that in both lending chains a pattern is starting to emerge where she takes out new loans on the day a previous loan is settled. But considering what other checks MFC did, I'm not persuaded that the pattern was such that it ought to have realised the loans were unsustainable for Ms L.

MFC was required to establish whether Ms L could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayment could of course be an indicator that Ms L was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Ms L's complaint.

### **Loans 1 - 3**

Before these loans were approved, Ms L declared she earned £1,800 per month. MFC says Ms L's income was electronically checked which suggested the income she had declared was likely to be accurate. For these loans, I don't think MFC needed to have carried out any further checks into Ms L's income.

In terms of monthly expenditure, Ms L provided details about this across several different headings such as, utilities, 'other', food and other credit commitments– to name a few. MFC says Ms L's outgoings came to no more than £760 per month. Therefore, based on the information it had to hand, the loan repayments looked affordable as Ms L had sufficient disposable income.

But MFC didn't just take what Ms L said at face value, it said it corroborated her housing costs and her credit commitments taken from her credit file. MFC then explained it used the

higher of the values – either what the credit file told them or what Ms L had declared for its affordability assessment. To me, this doesn't seem like an unreasonable approach for it to have taken and is entirely consistent with the proportionate nature of the checks made.

Although the income and expenditure figures declared were similar for these loans, I don't think that there is anything unusual about that given how close together the loans were granted.

Before each loan, MFC also carried out a credit search, and it provided the results it received from the credit reference agency. It is worth saying here that although MFC carried out a credit search, there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what MFC couldn't do is carry out a credit search and then not react to the to the information it received – if necessary.

I am satisfied that the credit check results wouldn't have been a concern for MFC and the results were effectively the same for these loans. There wasn't any indication that Ms L would likely struggle to repay these loans, and there wasn't anything to suggest Ms L was reliant on such products. And the active accounts that MFC was aware of had been well maintained.

MFC knew she had two credit cards active. One was at its limit of £250 and the other she was using around £220 of the £750 limit. Ms L said she had five credit cards that were at their credit limit but that isn't the information that was provided to MFC as part of its checks.

Ms L said she was using her overdraft and the credit check data does suggest that at least at loan 2 she was using around £250 of her overdraft, but she wasn't using any of it when loans 1 and 3 were granted. That may not have been entirely accurate but that is the information MFC was provided with and it had no reason to doubt what it was being told so for the credit search results it was entirely fair and reasonable for it to have relied on the results.

For this chain of lending, I'm satisfied the checks carried out by MFC were proportionate and demonstrated that Ms L would be in a position to afford her repayments. As such it therefore follows that MFC didn't need to check the information it received any closer and there was no need for it to check Ms L's bank statements – this would've been disproportionate given the circumstances of the applications.

I do not uphold Ms L's complaint about these loans.

### ***Loans 4 and 5***

There was a six-month gap between Ms L repaying loan 3 and before she returned for loan 4. In those circumstances I do think the gap was large enough for MFC to have in effect treated Ms L as if she was a brand-new customer. This will have an impact on the types and or level of checks that MFC may have carried out before lending. As such, loan 4 became the start of the new lending and in effect it became loan 1.

MFC says it carried out the same sort of checks for these loans as it had carried out for the previous lending chain. Ms L's income was at a minimum £1,791 per month. For one of these loans MFC took a copy of a payslip and it showed that what Ms L had declared was broadly accurate.

It also asked Ms L about her outgoings – including her credit commitments. As before it cross checked the figures and based on a combination of what MFC found out and what Ms L declared to it there was sufficient disposable income for Ms L to afford her repayments.

The credit check results have been provided for both of these loans – and the results are similar which again isn't surprising given how close together the loans were provided. For these loans it's fair to say that there had been a change in Ms L's credit profile. There was an increase in the number of credit card accounts, and this time Ms L also had a couple of mail order accounts. Some of these accounts were close to the credit limit but MFC was told Ms L had made all her payments as expected. There were no missed payments or defaults lodged in the credit search results.

The search results also showed Ms L was utilising more of her overdraft and so – she was further indebted by the time these loans were granted. But there isn't anything in the regulations to say that MFC couldn't lend because Ms L was using her overdraft. And this wouldn't have concerned MFC due the lack of any other adverse credit file information.

So, there does appear to have been increased indebtedness which MFC was aware of compared to loans 1 and 2. But with the gap in borrowing, the existing commitments appeared to have been repaid well, Ms L's commitment to MFC and what MFC worked out to be her disposable income, I do think it was reasonable for it conclude that these loans were affordable for Ms L.

It therefore follows that I am not upholding Ms L's complaint about these loans either.

An outstanding balance does remain due for loan 5, and MFC has said to date it has placed a hold on the account to prevent further interest and fees being added. But Ms L should contact MFC to discuss setting up an affordable repayment plan if this is something that she wants. I would remind MFC of its obligation to treat Ms L fairly and with forbearance.

Finally, I've considered whether MFC acted unfairly or unreasonably in any other way and I've thought about whether the relationship 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 MFC lent irresponsibly to Ms L 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**

For the reasons set out above, I'm not upholding Ms L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 24 March 2026.

Robert Walker  
**Ombudsman**