

The complaint

Mr W complains My Finance Club (MFC) irresponsibly lent to him.

What happened

Mr W took two loans with MFC as follows:

Loan No.	Loan amount	Agreement date	Repayment date	Scheduled term (days)	Actual term (days)	Repayment
1	£400	22/11/2022	29/12/2022	38	36	£521.60
2	£250	24/03/2023	01/05/2023	38	35	£326

In October 2024, Mr W – via a professional representative (PR) - complained to MFC about its decision to lend.

In December 2024, MFC issued its final response in which it did not uphold the complaint. In doing so, MFC said that it had carried out sufficient checks prior to agreeing to lend and, having done so, it was satisfied the lending was affordable for Mr W.

Unhappy with this, PR on behalf of Mr W referred his complaint to our service.

One of our investigators reviewed Mr W's complaint. The investigator issued their opinion in May 2025 in which they did not uphold the complaint. In doing so, the investigator said that MFC completed reasonable and proportionate checks prior to agreeing to lend and the information it gathered as a result of those checks wouldn't have given it cause to refuse to lend.

PR didn't agree with the investigator's findings and, as an agreement couldn't be reached, the complaint was passed to me to review afresh.

On 5 December 2025, I issued a provisional decision. Here is what I had to say:

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 do not currently think this complaint should be upheld. I'll explain why I think this is a fair outcome in the circumstances.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I don't think it would be fair or reasonable to uphold this complaint. I recognise this will be disappointing for Mr W. I hope my explanation helps him to understand why I've come to this conclusion.

Mr W was provided with high-interest loans, intended for short-term use. So MFC needed to make sure that it didn't provide them irresponsibly. In practice this means that it should have

carried out proportionate checks to make sure Mr W could repay the loan repayments when they fell due and without the need to borrow further.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did MFC carry out reasonable and proportionate checks to satisfy itself that Mr W was likely to have been able to repay the borrowing in a sustainable way?

i. If MFC carried out such checks, did it lend to Mr W responsibly using the information it had?

Or

ii. If MFC didn't carry out such checks, would appropriate checks have demonstrated that Mr W was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mr W lose out as a result of MFC's decision to lend to him?

3. Did MFC act unfairly or unreasonably in some other way?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr W was applying for along with the size, length and cost of the borrowing; and*
- Mr W's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.*

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;*
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and*
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.*

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

Loan 1

Did MFC carry out reasonable and proportionate checks?

MFC has told us that, prior to agreeing to lend, it asked Mr W to provide information about (amongst other things) his residential status, income and expenditure.

Mr W declared he was living with parents or partner and had a monthly income of £1,200. Mr W declared his expenses across various categories including housing, utilities, groceries, transport and 'other' was £362.

MFC also carried out credit checks which provided it with information about Mr W's credit history and what he was paying to service his existing credit commitments. As a result, it added an expense of £86 towards Mr W's existing monthly credit commitments.

Deducting all of this from Mr W's income, it looked like he had £752 disposable income per month before the lending in question was taken into account. So, it seemed the lending was affordable on a pounds and pence basis.

As I've said, MFC carried out a credit check prior to agreeing to lend. The results showed Mr W had a total of seven active accounts and there was no evidence of recent missed payments or active arrears. Further, the results did not reveal any record of insolvencies or County Court Judgements (CCJs).

However, a closer look at the results from the credit check reveal some signs that Mr W may have been having trouble managing his money. I say this because it appeared Mr W was over the agreed limit on an overdraft and a credit card, and he was at or very near the limit on a further two overdrafts, a credit card and a mail order account.

Here is a breakdown of what MFC saw:

Account Type	Balance	Credit Limit
Current Account	£0	£0
Current Account	£100	£100
Current Account	£3,749	£3,750
Current Account	£1,201	£1,200
Credit Card	£2,542	£2,500
Mail Order Account	£844	£900
Mail Order Account	£142	£600

It strikes me as difficult to reconcile such a significant amount of monthly disposable income with the information above. After all, it appeared Mr W was actually in breach of two of his existing agreements.

I accept it wasn't a particularly large loan, and it was repayable over a reasonably short period of time. However, in light of what the credit check revealed, I think that MFC needed to make more searching enquiries to ensure Mr W would be able to sustainably repay the borrowing in question.

Would reasonable and proportionate checks have demonstrated that Mr W was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown MFC in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate checks showing MFC that Mr W would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that MFC hadn't considered in November 2022.

MFC could have obtained a deeper understanding of Mr W's financial circumstances by asking for his bank statements. However, despite several requests, PR on behalf of Mr W has been unable to provide us with his bank statements for the months prior to the lending decision.

Without this information I'm unable to reasonably understand what Mr W's actual financial circumstances – including his income and expenditure - looked like at the point of sale. As a result, I'm unable to conclude that proportionate checks would have shown the agreement was unaffordable. I simply don't have enough evidence to suggest this.

In summary, in the absence of further evidence suggesting otherwise, my conclusion at this stage is that I think MFC made a fair lending decision.

Loan 2

Did MFC carry out reasonable and proportionate checks?

Prior to agreeing Loan 2, MFC carried out much the same checks as it did for the earlier loan.

For this application, Mr W declared he was living with parents or partner and had a monthly income of £1,134 (slightly less than he declared for Loan 1). Mr W declared his expenses across the same categories as Loan 1 to be £380.

For this application, MFC verified Mr W's declared income with a copy of his most recent payslip.

MFC also carried out a credit check which provided it with information about Mr W's credit history and what he was paying to service his existing credit commitments. However, despite the credit search revealing Mr W did have a number of existing credit commitments, it appears MFC recorded Mr W's existing monthly credit commitments as '£0' in its income and expenditure assessment.

So, based on MFC's assessment, it looked like Mr W had £754 disposable income per month before the lending in question was taken into account. So, it seemed the lending was affordable on a pounds and pence basis.

As I've said, MFC carried out a credit check prior to agreeing to lend. The results showed Mr W had a total of nine active accounts and there was no evidence of recent missed payments or active arrears. Further, the results did not reveal any record of insolvencies or CCJs.

The credit check did show that Mr W had entered into two loans around three months prior to applying for Loan 2. Noting the starting balance of these loans it would be reasonable to assume these were payday loans or similar.

In addition, the credit check revealed the following revolving credit facilities:

Account Type	Balance	Credit Limit
Current Account	£0	£0
Current Account	£0	£0
Current Account	£3,750	£3,750
Current Account	£96	£100
Current Account	£1,205	£1,200
Credit Card	£2,547	£2,500
Mail Order Account	£483	£483

So, it appeared Mr W was still over the agreed limit on a credit card and on an overdraft facility. And Mr W was at or very near the limit on another two overdrafts and a mail order account.

As I said with regards to Loan 1, it strikes me as difficult to reconcile such a significant amount of monthly disposable income with the information above. After all, it appeared Mr W was in breach of two of his existing agreements.

What's more, as I've said, MFC recorded Mr W's existing monthly credit commitment expenditure as '£0' which simply can't be accurate in light of the information contained within the credit search.

In light of all of this, despite this not being a particularly large loan which was repayable over a reasonably short period of time - I think that MFC needed to make more searching enquiries to ensure Mr W would be able to sustainably repay the borrowing in question.

Would reasonable and proportionate checks have demonstrated that Mr W was likely to have been able to repay the borrowing in a sustainable way?

MFC could have obtained a deeper understanding of Mr W's financial circumstances by asking for his bank statements. However, despite several requests, PR on behalf of Mr W has been unable to provide us with his bank statements for the months prior the lending decision.

Without this information, I simply don't have enough evidence to suggest that further enquiries would have given MFC cause to refuse to lend.

In summary, in the absence of further evidence suggesting otherwise, my conclusion at this stage is that I think MFC made a fair lending decision.

Did MFC act unfairly or unreasonably in some other way?

In reaching this conclusion, I've also considered whether MFC acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think MFC lent irresponsibly to Mr W or otherwise treated him 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.

Responses to my provisional decision

I gave both parties an opportunity to respond to my provisional decision.

Neither party provided any further submissions.

The deadline to do so was 19 December 2025. As that deadline has now lapsed, I've reviewed the complaint again.

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 reconsidered the available evidence in this complaint – and in the absence of any further submissions or evidence from either party - I see no reason to depart from the findings set out in my provisional decision.

This being that, based on the information available, I do not think MFC made an unfair lending decision.

I say this because, whilst I don't think MFC conducted reasonable and proportionate checks prior to agreeing to lend either Loans 1 and 2, I have not been provided with information to enable me to reasonably understand what Mr W's actual financial circumstances – including his income and expenditure - looked like at the point of sale.

Therefore, I'm unable to conclude that reasonable and proportionate checks would have shown the agreement was unaffordable. It follows that I can't fairly say MFC acted unfairly when it agreed to lend.

In reaching this conclusion, I've also considered whether MFC acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140 Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think MFC lent irresponsibly to Mr W or otherwise treated him 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 set out here and in my provisional decision, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 3 February 2026.

Ross Phillips
Ombudsman