

The complaint

Mr S is complaining that Brent Shrine Credit Union Limited trading as My Community Bank (MCB) lent to him irresponsibly when providing him with two personal loans.

What happened

In November 2022, Mr S applied for a loan with MCB. They approved his application and lent him £11,000 over a five-year term. The loan required Mr S to make 59 monthly repayments of around £270, followed by a final payment to clear the balance.

Mr S applied for a further loan from MCB which was granted in February 2024. This was another five-year loan, for £6,000, with 59 monthly repayments of around £170 followed by a final payment to clear the balance.

Mr S made repayments for both loans on time until September 2025, but then entered a debt management plan. He complained to MCB in October 2025, saying they shouldn't have lent to him as the repayments were unaffordable.

MCB responded, saying they'd carried out appropriate checks before lending to Mr S. They said they were satisfied that Mr S met their lending criteria from both a creditworthiness and affordability perspective and so didn't uphold his complaint.

Mr S 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 had made fair lending decisions given what they'd found.

Mr S didn't accept our investigator's view. In summary he said:

- The affordability assessments MCB carried out relied on statistical estimates that didn't reflect his reality and he doesn't think relying on statistical estimates of expenditure meets the regulatory requirements on a credit union.
- Our service upheld a similar complaint about a different lender – he thought the same logic should apply to this complaint.
- In another complaint our service looked at, we went through his bank statements, and he thinks we should do the same here.
- His credit file suggested he was managing his finances responsibly, but he was regularly borrowing from family and friends to get through the month and to protect his credit score.

Mr S asked for an ombudsman's decision – and the matter's come to me.

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'm not upholding Mr S's complaint for broadly the same reasons as our investigator. I appreciate this will be disappointing for Mr S, but I'll explain further below.

As Mr S noted, his loan agreements with MCB are exempt agreements and therefore aren't subject to all the consumer credit regulations set out in the Financial Conduct Authority's (FCA) consumer credit sourcebook (CONC). But they are 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 S says they're required to carry out a creditworthiness assessment and an affordability assessment to ensure the loan is affordable.

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

Did MCB carry out reasonable checks?

Before lending to Mr S on each occasion, MCB:

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

I'm satisfied that these checks were thorough enough to give MCB a good understanding of Mr S's likely financial circumstances at the time of his application. Although the loans were both for five years, his total payments to creditors would have appeared to be less than 30% on each occasion once the new loan was taken out. And, if Mr S had used the loans for debt consolidation as he stated on his applications, this would have reduced his total payments to creditors further. Even if he didn't consolidate existing debts, the credit checks suggested that his total debt would be around 71% of his gross annual income once each new loan was approved. Although the checks were automated, this doesn't make them insufficient. These

methods are widely used across the lending sector in the United Kingdom, and I can't say MCB should have done more given what they knew about Mr S's circumstances.

Mr S says MCB should have obtained more information about his actual spending. In particular, he told us that his rent was higher than they'd estimated at the time of his first loan application, he was repaying a family member for a loan, and student loan repayments were being deducted from his salary. I do appreciate Mr S's perspective. But MCB were able to verify his net monthly income which would have been net of student loan repayments. Given his credit file showed good management of his existing creditors and a reasonable amount of headroom on his credit card limits, there was no reason to think he would be borrowing from friends and family. And, given the level of disposable income indicated by their affordability assessment, there was no reason for them to question his expenditure further.

Did MCB make fair lending decisions?

Having decided that MCB carried out enough checks, I have to consider whether their decisions to lend to Mr S was fair.

Loan 1 - £11,000 – November 2022

The credit file MCB reviewed showed Mr S had unsecured debts totalling around £10,000, as well as a hire purchase agreement with around £4,000 outstanding. He hadn't missed any payments on any of these accounts in the preceding couple of years. And he was well within the credit limits on his credit cards.

On balance therefore, I don't think there was anything in Mr S's credit report which suggested MCB shouldn't have lent to him.

Mr S told MCB his annual income was £35,000. MCB were able to verify this. This would typically result in net monthly income of around £2,320.

MCB deducted from this monthly income figure an estimated £407 for rent, £716 they'd estimated in relation to other essential living costs, and £416 for existing credit commitment and calculated he'd have plenty of disposable income leftover even if he didn't consolidate his existing debts. I'm satisfied the figures MCB used were reasonable. And I'm satisfied they acted fairly in deciding the monthly instalments would be affordable for Mr S.

Loan 2 - £6,000 – February 2024

Mr S's unsecured debt had increased significantly by this point and was nearly £19,000. On top of that, his utilisation of his credit cards had increased, to an average of around 80%. But he hadn't taken out any new credit in the preceding six months. He continued to make all his payments on time. And he told MCB his annual income was £10,500 per year higher than it had been in November 2022 – at £45,500. So, the additional debt would have appeared manageable for him.

MCB estimated Mr S's monthly spending on rent at £575, other essential living costs at £784, and credit commitments at £620. Again, I'm satisfied these figures were reasonable. And I'm satisfied when deducted from his net monthly income, they'd have shown the monthly instalments would be affordable for Mr S.

Conclusion

I do appreciate Mr S will be disappointed with my decision, particularly as he's now found himself in financial difficulties. I know how distressing this can be. But I can't say MCB should have done more to investigate his actual financial circumstances in the context of these loan agreements. Whilst our service may have upheld a similar complaint against a different lender, we look at each complaint on its own merits, and I'm satisfied that MCB acted fairly and reasonably when lending to Mr S.

Did MCB treat Mr S 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 MCB lent irresponsibly to Mr S 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.

My final decision

As I've explained above, I'm not upholding Mr S's complaint about Brent Shrine Credit Union Limited trading as My Community Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 May 2026.

Clare King
Ombudsman