

## **The complaint**

Mr D complains that My Finance Club Limited (“MFC”) lent to him when he could not afford to repay it. And it failed to do the right checks and lent irresponsibly.

## **What happened**

Mr D took one loan with MFC in March 2025. It was for £400 and the nature of the agreement with MFC was that he was expected to pay the full amount plus the interest on the 63<sup>rd</sup> day. So, a total sum of £601.60 was due to MFC on 10 May 2025. MFC explains to its customers that it expects them to effectively save the sums needed each intervening month to have enough to pay it all on the due date.

Mr D was not able to repay, has not repaid, and at the time of the final response letter from MFC dated 4 July 2025 he owed around £694. At present there is still an outstanding balance of £800. The account defaulted on 11 December 2025.

Mr D complained and received the final response letter (FRL) in September 2025. After it had been referred to the Financial Ombudsman Service, one of our investigators considered it all and thought that MFC had carried out proportionate checks and did not think it needed to put things right for Mr D.

Mr D disagreed and made submissions as to why. This mainly centred on the fact that his income was incorrect on his application and that he was unemployed and gambling when he approached MFC for the loan.

The unresolved complaint was passed to me to decide. After I had reviewed it all I asked MFC for further details surrounding the income check it had carried out. I explain in the 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.

MFC needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr D before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. And I’ve used this approach to help me decide his complaint.

Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggesting the lender needed to know more about a prospective borrower’s ability to repay.

I think the checks MFC did before providing the credit were reasonable and proportionate given the credit limit it offered and what it knew about Mr D’s financial situation.

Mr D told MFC when he applied that he worked for a bank and was earning £3,000 a month after tax in March 2025. Mr D now says that he'd been unemployed in late 2024 and was receiving Universal Credit (UC) in March 2025. Mr D has sent to us a copy of his P45 from the company he used to be employed by (not a bank) which ended in October 2024.

In relation to the income figure used by MFC for its assessment, Mr D has said:

*'If the CRA output was stale/misattributed/modelled/otherwise inaccurate, then it was not reasonable to rely on it without further verification, and the affordability conclusion derived from it becomes unsafe. In that event, I ask the complaint is upheld and redress is applied in line with FOS approach for unfair/unsustainable lending.'*

I made enquiries with MFC about its verification of Mr D's income when it was assessing his application in March 2025 and it has explained:

*'Their declared income of £3000 was validated through [Credit Reference Agency] using Current Account Turnover (CATO), with a confidence rating of "G" (G = Highest level of confidence that the stated income matched the salary credits received).'*

MFC would have had no reason to disbelieve Mr D's assertion that he was employed full time at a bank and earning the figure he gave to it. MFC applied the industry wide used tool (CATO) to check credits into Mr D's account and considered that his income figure was about right.

Mr D has now conceded that he may have supplied incorrect information to MFC at the time. But I do not consider it fair or reasonable that having received information from Mr D (which he's admitted was incorrect) and then verified it, MFC was expected to conclude that the information must have been wrong and try to further verify it. There's no rationale for that additional check. I consider this CATO application to have been a proportionate check by MFC.

MFC carried out a credit check and I have reviewed the results. Mr D had relatively little credit open: some credit cards with £0 balances, other credit cards and the repayment records were up to date. Mr D had some unsecured loans with good repayment records and little else. There was nothing in this set of credit search results that would have alerted MFC to Mr D having issues or financial concerns.

MFC adjusted Mr D's household expenses to suit and calculated that Mr D had a healthy disposable income balance with which to repay the loan. MFC concluded he'd have around £1,925 disposable income each month, after factoring in the amount needed to have been set aside for the repayment amount due in May 2025.

He had no issues with repayment of his recent or existing credit. And although Mr D says that MFC ought to have known more than it did, or ought to have found out more than Mr D had told it, this is not what the regulatory framework expects of a lender for a first loan.

I recognise that Mr D has told us about his gambling. But it would be disproportionate for MFC to have discovered, at this stage of the lending relationship, that Mr D was spending his money on gambling. There's no evidence that MFC knew of, or was likely to have been aware of, Mr D's gambling habit. And as the checks it carried out were proportionate then MFC had no reason to ask to see copy bank statements or other evidence from Mr D before lending.

I don't think MFC did anything wrong when it provided the loan to Mr D. I've also considered 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 Mr D 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.

I do not uphold the complaint.

**My final decision**

My final decision is I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 May 2026.

Rachael Williams  
**Ombudsman**