

The complaint

East End Fair Finance Limited trading as Fair Finance provided Mr M with a £500 loan, with a 12-month term, in February 2025. The monthly repayments were £72.87. Mr M says the loan was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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 unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr M's case.

I've decided the loan wasn't provided fairly because:

- I think the checks Fair Finance did before providing the credit were reasonable and proportionate given the credit it offered and what it knew about Mr M's financial situation. Fair Finance asked Mr M about his employment and income and accessed his bank statements to verify his income. A credit check was undertaken which showed no recent defaults but did identify a loan which was under an arrangement. Mr M was asked about this.
- Based on the information Fair Finance gathered and what it knew about Mr M's circumstances, I think it should have realised Mr M was likely to be unable to sustainably repay what he was being lent.
- The information showed Mr M should have had sufficient disposable income to afford the loan based on the income and expenditure he declared. However, the credit check showed he had a delinquent account and had entered into an arrangement within the previous 12 months. Fair Finance asked Mr M about the account, and he said the issue occurred due to a temporary reduction in income. I don't think this account alone meant the loan shouldn't have been given (although I note that not being able to make repayments of £20 should have raised concerns), but Mr M also had recent arrears on other accounts, was operating at his limit on a credit card account and on his overdraft. He also had several returned direct debits in the weeks leading up to the loan being given and had taken out another loan within the previous few months. I think this raises concerns that Mr M was struggling financially and that providing further credit at this time wasn't responsible.
- Based on the above, I think Fair Finance had sufficient information that suggested Mr M was struggling to manage his existing credit accounts.

This means I don't think Fair Finance should have provided the loan to Mr M.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr M in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think Fair Finance ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr M should pay back what he borrowed. Therefore, Fair Finance should:

Add up the total repayments Mr M has made and deduct these from the total amount of money Mr M received.

a) If this results in Mr M having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). * Fair Finance should also remove all adverse information regarding this account from Mr M's credit file.

b) If any capital balance remains outstanding, then Fair Finance should arrange an affordable and suitable payment plan with Mr M. Once Mr M has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Fair Finance to take off tax from this interest. Fair Finance must give Mr M a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I'm upholding Mr M's complaint and East End Fair Finance Limited trading as Fair Finance must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 April 2026.

Jane Archer
Ombudsman