

Complaint

Mr G has complained that Glasgow Credit Union Ltd ("GCU") lent to him irresponsibly.

Background

Mr G took out a loan for £4,000 with GCU in May 2012. The loan was due to be repaid over 36 months and the monthly repayments were £128.10.

Mr G already had a smaller existing loan with GCU and made monthly contributions to his savings account. So his financial commitments with GCU were incorporated into one monthly repayment of £183.30.

Our investigator didn't think the complaint should be upheld. In summary, she said GCU carried out the checks it should've before lending to Mr G. And she didn't think any of the information GCU had gathered during the application indicated that it shouldn't lend to Mr G.

Mr G disagreed with the investigator's view. He says GCU didn't carry out sufficient checks and knew he was struggling as he needed to consolidate his existing debt when he applied for this loan. He also says GCU didn't check his bank statements and, if it had, it would've seen the loan was unaffordable.

The complaint has been passed to me to decide.

my findings

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've reached the same conclusions as the investigator and for the same reasons. I'll explain why.

GCU had a responsibility to check Mr G could afford to repay his loan in a sustainable way. There's no set list of checks it had to carry out but they needed to be proportionate to Mr G's circumstances – taking into account things like the monthly repayments, the term of the loan and what the customer had told it.

During his application, Mr G told GCU he was living at home with his parents. He also told them his income was £2,000 per month and that he had monthly outgoings of £800 – including his rent and other credit repayments. So based on what Mr G had told GCU, it seemed that he had £1,200 disposable income each month after paying his bills. And the payslip Mr G provided to GCU to verify his income actually showed an income significantly higher than this – around £6000. So, the information Mr G gave GCU appeared to demonstrate he could comfortably manage his repayments.

Mr G has provided us with a copy of his credit file but this is from several years after the loan application. The credit check GCU provided is date stamped May 2012 and shows the information that was available to it at the time of the application. It does show outstanding debt of around £7,000. But it also shows that Mr G had never defaulted on a debt and was up to date with all his credit commitments. So while Mr G says he had lots of other payday loans and had defaulted on other debt, the credit file that GCU generated at the time of the loan application doesn't reflect this.

Mr G has told us that, had GCU checked his bank statements, it wouldn't have lent to him. He says it would've seen gambling transactions and a number of payments to payday lenders. But, as I've said, there's no set list of checks a lender must make and GCU wasn't obliged to ask for Mr G's bank statements if it was satisfied with the other information Mr G provided.

Mr G already had an existing relationship with GCU and his credit file showed he was managing his accounts well, with no indication of financial difficulty or over-commitment. GCU also verified his income by asking him to provide a payslip, and asked him for a breakdown of his income and outgoings. Lenders are entitled to rely on the information provided during an application. And in this case, I think GCU did everything it needed to ensure the information Mr G provided was accurate.

Taking everything into account, I think GCU took reasonable steps to check Mr G could afford his monthly repayments and I haven't seen anything to suggest this lending was irresponsible. So it follows that I don't uphold this complaint.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 January 2018.

Sara Falzon
ombudsman