

## **Complaint**

Miss C has complained about a loan Bradford District Credit Union Limited (“BDCU”) provided to her. She says that she does not recall completing an affordability assessment and she was surprised to be accepted as she had an extremely poor credit rating.

## **Background**

BDCU provided Miss C with a loan for £5,000.00 in November 2022. This loan had an APR of 42.58% and had a 36-month term. This meant that the total amount to be repaid of £8,237.63, which included interest, fees and charges of £3,237.63, was due to be repaid in 35 monthly instalments of £229.02 followed by a final instalment of £221.93.

One of our investigators reviewed what Miss C and BDCU had told us. And he thought that BDCU hadn’t done anything wrong or treated Miss C unfairly. So she didn’t recommend Miss C’s complaint be upheld. Miss C disagreed and asked for an ombudsman to look at his complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss C’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss C’s complaint. I’ll explain why in a little more detail.

BDCU needed to make sure that it acted fairly and reasonably towards Miss C. As part of this, it needed to take reasonable steps to ensure that the loan was affordable. In practice, what this means is BDCU needed to carry out proportionate checks to be able to have a reasonable understanding of whether Miss C could afford to make his monthly repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

BDCU says it agreed to Miss C’s application after she provided details of her income. It says it also carried out a credit check to assess Miss C’s existing indebtedness and relied on open banking access to get an idea of Miss C’s regular living expenses. In its view, all of this

information showed Miss C could afford to make the repayments she was committing to. On the other hand, Miss C has said she had an extremely poor credit rating and should not have been accepted for this loan.

I've carefully thought about what Miss C and BDCU have said.

The first thing for me to say is that BDCU not only asked Miss C for details about her income, it also carried out a credit check to assess Miss C's indebtedness.

BDCU's credit searches also did show that Miss C had some existing debts. But it's fair to say that these weren't excessive. Having said that the credit searches also showed that Miss C had had previous difficulties with credit in the form of defaults – albeit these were historic as they were more than three years prior to this application.

In any event, as part of its checks I would have expected BDCU to have had a reasonable understanding about Miss C's regular living expenses as well as her income and existing credit commitments. And the open banking information Miss C allowed BDCU to does appear to show that when her committed regular living expenses and existing credit commitments were deducted from his monthly income, she did have the funds, at the time at least, to sustainably make the repayments for this loan.

I'm sorry to hear that Miss C experienced difficulty making the payments. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And I don't think that BDCU could possibly be expected to have known that the payments to this agreement were unaffordable, bearing in mind that reasonable and proportionate checks are unlikely to have shown that this was the case.

I've also seen what Miss C has said about the monthly payment for the loan fluctuating during the course of her application. I understand that the reason for the fluctuation is because Miss C was provided with a quote using the representative interest rate. And after Miss C's loan application was reviewed by an underwriter the interest rate she received was higher than the representative rate and this increased her monthly payment.

I can understand why Miss C would be unhappy at having to make higher loan payments. However, it's clear that she knew her payments would be higher before she was provided with her loan as she queried the monthly payments before she signed her agreement.

As Miss C signed her agreement and entered into her loan after learning of the higher payments, I can only assume that she did so willing to accept the terms of the contract she was entering into. And, in these circumstances, I don't think that BDCU acted unfairly in this regard.

So overall I don't think that BDCU treated Miss C unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss C's complaint. I appreciate this will be very disappointing for Miss C. But I hope she'll understand the reasons for my decision and that she'll at least feel his concerns have been listened to.

Although I'm not upholding this complaint, I'd like remind BDCU of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Miss C's loan and it be the case that she is experiencing financial difficulty.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 27 November 2023.

Jeshen Narayanan  
**Ombudsman**