

The complaint

Mrs M complains that My Finance Club Limited (“MFC”) lent to her when it shouldn’t have.

What happened

This complaint is about three payday loans MFC lent to Mrs M between August 2021 and March 2022. From the information provided, the details of the loans are as follows.

Loan number	Start date	Loan amount (£)	Repayment (£)	End date
1	01/08/2021	210	260.10	31/08/2021
2	31/08/2021	400	448	15/09/2021
3	01/03/2022	200	243	28/03/2022

Mrs M complained about all the lending decisions but MFC didn’t uphold her complaint and so she referred her complaint to the Financial Ombudsman Service. One of our adjudicators looked at the complaint and didn’t recommend that any part of Mrs M’s complaint should be upheld. She thought MFC’s checks went far enough, and those checks showed Mrs M could afford the loans.

Mrs M disagreed and asked for an ombudsman’s 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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

MFC needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs M could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that MFC should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- The *lower* a consumer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income).
- The *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).
- The *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated

refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs M's complaint.

Mrs M took a total of three loans from MFC, so I don't think the pattern of lending here demonstrated unsustainable lending.

Before MFC lent any of the loans, it has provided details of the monthly income and expenditure Mrs M declared, it has also provided evidence that it searched her credit file.

Mrs M's declared income varied between £1,860 - £2,400 over the three loans. For her living costs including credit commitment Mrs M declared between £700 - £1,025, this included her declaring £0 costs for housing. The results of the credit search showed Mrs M had a number of active accounts but there were no defaults or delinquent accounts recorded at the time of the loans. Those results did show Mrs M had a monthly mortgage repayment of £535 and I can see MFC took this into account when assessing Mrs M's affordability and so it lent on the basis that her living costs including credit commitments were between £1,203 - £1,694, which were figures higher than Mrs M declared in her applications. Looking at Mrs M's income and expenditure, she could afford the repayments for each loan and was left with sufficient disposable income.

I'm satisfied MFC carried out proportionate checks and reacted sufficiently to the information it saw from its checks. Those checks showed Mrs M was left with sufficient disposable income to afford each loan. So, I don't think it was wrong for MFC to lend Mrs M any of the loans at the time it did.

My final decision

For the reasons give above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 30 November 2023.

Oyetola Oduola
Ombudsman