

The complaint

Miss E complains that Brent Shrine Credit Union Limited trading as My Community Bank was irresponsible in its lending to her.

What happened

Miss E was provided with a £15,000 loan in August 2022. She says that at the time she was suffering with anxiety and depression and was gambling, and her spending was out of control. She says she was applying for one loan to pay off another and that every time she applied for a loan, she received the money. She says she had taken out several loans in the months leading up to the My Community Bank loan and that adequate checks weren't carried out before the loan was provided.

My Community Bank issued a final response letter dated 30 June 2023. It said that as part of its application process it carried out an affordability assessment and a credit check. It said there were no insolvency records or delinquent accounts recorded and no recent payday loans. It said it verified Miss E's declared annual income of £28,000 with a credit reference agency and used third party data to estimate her expenses. It said that based on its checks the loan repayments were affordable.

Our investigator noted the size of the loan provided to Miss E and thought that further checks should have been carried out to ensure it was sustainably affordable for Miss E over the loan term. He found that had proportionate checks been carried out the loan would have appeared affordable. Therefore, he didn't uphold this complaint.

Miss E didn't accept our investigator's view. She said that her mental state hadn't been taken into account and that part of her condition is that her spending gets out of control. She noted that our investigator said that further checks should have taken place and so she thought her complaint should be upheld. She also said that certain payments received were for her son and shouldn't be considered as part of her income.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Miss E was provided with a £15,000 loan repayable over 59 monthly instalments of around £346 followed by a final repayment to clear all the outstanding obligations. The total amount

repayable was around £21,012. This is a substantial loan and I think that My Community Bank needed to get a clear understanding of Miss E's financial situation before providing the loan to ensure it was sustainably affordable over the loan term.

I have looked at the credit report results provided by My Community Bank and having done so I do not find that the results raised concerns that Miss E was struggling to manage her commitments. The results do show that Miss E had taken on other credit commitments in the preceding three months, but I do not find this meant the lending shouldn't have been provided. Instead, I find it reasonable that a clear understanding of her income and expenses was gathered.

Miss E has said that as we have found further checks should have happened her complaint should be upheld. However, our role is to establish whether the checks undertaken were proportionate and then, if needed, to assess what My Community Bank would have identified had proportionate checks taken place. It is in cases where it is identified that proportionate checks would have shown that the lending shouldn't have been provided that we would uphold the complaint.

Therefore, I have looked through the information to establish what I think proportionate checks would have shown. My Community Bank carried out an income verification with a credit reference agency, but I agree it would have been reasonable to carry out further checks to ensure it had an accurate income figure. While I do not find that My Community Bank was necessarily required to ask for copies of Miss E's bank statements as these have been provided I have used this information to provide an indication of what would likely have been identified had proportionate checks taken place.

Miss E's bank statements for the months leading up to the loan show several regular payments into her account. These include payments from the employer recorded in her application as well as benefit payments and payments from other sources. It is reasonable when assessing affordability of a loan to take into account certain benefit payments and other regular sources of income. I note Miss E's comment about some of the payments being for the benefit of her son. However, taking this into account, I find that had further questions been asked, these wouldn't have raised concerns about the income declared as part of her application and would have suggested a higher level of income.

I have also looked through Miss E's bank statements to understand what would likely have been identified had questions been asked about her expenditure. While I note Miss E's comment about her gambling, I can say for certain that she would have declared this at the time. I have considered what she would likely have declared if asked about her regular outgoings and having done so I do not find that these would have suggested the lending was unaffordable.

I am sorry to hear of Miss E's health conditions and I do not underestimate the challenges she has and continues to face. But as I do not find that I can say that proportionate checks would have resulted in this loan being identified as unaffordable for Miss E, I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 28 December 2023.

Jane Archer
Ombudsman