

The complaint

Mr P says North Edinburgh and Castle Credit Union Limited, trading as Castle Community Bank, lent irresponsibly when providing him with a loan in 2021.

What happened

In November 2021, North Edinburgh and Castle Credit Union loaned Mr P £4,000 over a 48-month term. The total charge for the credit was around £1,600 and the monthly repayments were £117.37. The information North Edinburgh and Castle Credit Union recorded at the time of his application showed, among other things, he had a gross annual income of just over £32,000.

In 2023, Mr P complained to North Edinburgh and Castle Credit Union that it had lent irresponsibly to him and had worsened his financial situation.

North Edinburgh and Castle Credit Union responded that it wasn't upholding Mr P's complaint. North Edinburgh and Castle Credit Union said the loan application and credit check results it obtained were reviewed and accepted in line with its lending criteria.

Unhappy with North Edinburgh and Castle Credit Union's response, Mr P complained to this service. Our investigator looked into the complaint and didn't recommend that it should be upheld. The investigator thought that North Edinburgh and Castle Credit Union had carried out the checks it should have done prior to making the lending decision. And that the lending decision itself was fair.

Mr P didn't agree with the investigator's assessment of the complaint. In summary, he felt North Edinburgh and Castle Credit Union should have noticed he'd taken a number of loans prior to applying for this one and questioned whether this one was affordable for him. The complaint was passed to me to review afresh.

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 approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Mr P's complaint.

Having done so, I don't uphold the complaint. I'll explain why.

I confirm that I broadly agree with the investigator's findings on North Edinburgh and Castle Credit Union's lending decision. I'm satisfied that the lending rules and provisions at that time meant North Edinburgh and Castle Credit Union needed to carry out proportionate checks to assess whether Mr P would be able to repay the credit.

There isn't a set list of checks that needed to be completed but, in deciding what was proportionate, North Edinburgh and Castle Credit Union ought to have taken into consideration things such as the type and amount of credit, the cost and Mr P's circumstances.

North Edinburgh and Castle Credit Union asked Mr P questions about his circumstances. These included his employment status and gross annual income. North Edinburgh and Castle Credit Union also completed a credit check via a credit reference agency (CRA). This showed, among other things, that he was a non-homeowner who likely paid rent. No defaults and no County Court Judgments (CCJs) had been recorded. Although he had existing credit commitments, the repayments appeared to allow sufficient means – with a surplus income of almost £600 a month – for Mr P to repay the new loan with North Edinburgh and Castle Credit Union.

Taking all of this into consideration, I'm satisfied North Edinburgh and Castle Credit Union carried out proportionate checks. I also believe the lending decision it made based on the available information was fair.

I've thought carefully about what Mr P's said regarding the number of loans he'd taken out around the time of the loan he applied for with North Edinburgh and Castle Credit Union. The checks it carried out showed Mr P had eight active credit accounts. But there were no indications from the information Mr P provided to it, or that it gathered from elsewhere, that these loans were causing him financial stress. Nor do they suggest there was any gambling activity.

If Mr P's referring to other credit accounts in addition to the eight I've mentioned, then it seems North Edinburgh and Castle Credit Union wasn't aware of them when it made its lending decision. Since I'm persuaded it carried out proportionate checks, I don't believe it reasonably ought to have known about any other credit at that time.

Taking everything into account, I think North Edinburgh and Castle Credit Union carried out proportionate checks that would have enabled it to make a reasonable assessment on the affordability of the loan. The results of the checks into Mr P's circumstances in 2021 don't indicate to me that he couldn't sustainably afford the credit he was being offered. As such, I don't think North Edinburgh and Castle Credit Union treated him unfairly in providing him with the lending that it did.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 10 April 2024.

Nimish Patel
Ombudsman