

The complaint

Mr W complains that Commsave Credit Union Limited lent to him irresponsibly.

What happened

A lending relationship existed between Mr W and Commsave over a period of time and Mr W's complaint here focuses on his loans from August 2022 to May 2023. The relevant loan details are below.

Loan number	Start date	Loan amount	Term	Repayment amount	End date
1	16/08/2022	£2,500	12 months	£236.43	18/10/2022
2	18/10/2022	£5,814.53	12 months	£307.48	14/11/2022
3	14/11/2022	£7,814.53	48 months	£254.77	12/05/2023
4	12/05/2023	£8,459.84	12 months	£800.53	22/05/2023
5	22/05/2023	£9,459.84	24 months	£500.62	22/09/2023

Loans 2 – 5 were top up loans where Mr W borrowed more while still having an outstanding balance on the previous loans. Loan 5 was also topped-up and rolled into a new loan in September 2023. Mr W raised a separate complaint about the loans from September 2023 onwards and I won't be commenting on those loans in this decision.

When Mr W complained to Commsave, it didn't uphold his complaint and so he referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't think Commsave's checks on any of the loans went far enough but ultimately concluded that reasonable and appropriate checks would either likely have shown Mr W could afford the loans or that he hadn't suffered any loss. So, she didn't recommend that any part of Mr W's complaint should be upheld.

Mr W asked for an ombudsman to review his complaint and decide.

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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr W's complaint.

It's important to state Mr W's agreements were unregulated and Commsave's obligations aren't exactly the same as those for most lenders with regulated agreements.

In particular, as Commsave is a Credit Union, its specialist sourcebook is the Credit Unions sourcebook ("CREDS") rather than the Consumer Credit Sourcebook ("CONC") as it wasn't carrying out credit related regulated activities when providing these loans to Mr W.

Even though that is the case, as Commsave is a firm authorised by the Financial Conduct Authority (“FCA”), I consider it fair and reasonable to expect it to have carried out reasonable enquiries into Mr W’s circumstances to check that he’d be able to make the payments to these loans, and it should have only lent where its reasonable enquiries showed Mr W could afford the loan repayments.

Commsave’s checks before agreeing the loans.

Commsave has provided evidence to show Mr W completed an application for each loan where he declared his employment status, residential status, his income and expenses including credit commitments. Commsave also searched Mr W’s credit file and has provided the results of its search for each loan.

Initial loan

For loan 1, Mr W declared his income as £1,950 and his living costs as £600. I note Mr W declared £0 for his credit commitments and this was in direct contradiction to what Commsave could see on Mr W’s credit file.

I’ve thought about what Mr W’s credit file showed and from what I can see, all his active accounts were up to date and there were no defaults or county court judgements (CCJs) recorded on Mr W’s credit file at the time. Mr W was repaying a number of loans and had outstanding balances on his credit card. Looking at Mr W’s income compared with his declared living costs and the credit commitments Commsave could see on his credit file, he would have been left with sufficient disposable income to repay this loan.

There is an argument here that due to the discrepancy in what Mr W declared about his credit commitments and what Commsave knew about his credit, it should have gone further to verify what Mr W declared through other means like bank statements. Mr W has provided his bank statements from around the time and from what I can see, Mr W had low committed living costs, I can’t see expenses such as rent or utility payments on his bank statements. Mr W’s average income for the three months before this loan was around £2,000 and his average credit commitments for the same period was around £710. I think this would have left him with sufficient disposable income to cover his living costs like food and transport, meet the monthly loan repayment and still be left with disposable income.

With that in mind, I don’t think Commsave lent this initial loan when it shouldn’t have.

First top-up

In October 2022, Mr W returned to Commsave for further borrowing, this was only two months after the initial advance. This top-up increased Mr W’s indebtedness and the term was extended to 24 months. The new monthly repayment was £307.48. I think bearing in mind how close to the initial advance this top-up was and the fact that it doubled the term of his loan, and the overall loan amount, Commsave should have been looking to take its checks further. I think Commsave should have been looking to verify what Mr W declared.

Mr W has provided copies of his bank statements that cover the entire lending period and I’ve used these to understand Mr W’s financial circumstances in the absence of further evidence from Commsave. From what I can see in the three months before this top-up loan was granted, Mr W had an average income of around £2,000 although I note Mr W declared his income as £2,038.94 and his living costs including credit commitments as £1,086.42. Mr W had high credit commitments in August 2022, but I can see that reduced to around £300 in September, so I’ve taken his average credit commitments over the three-month period and that was around £850. I can also see from the bank statements that Mr W again

had low living costs and deducting his average credit commitments from his average income over the period left him with over £1,000 to cover living costs, repay the loan and still have money left over. So, while I don't think Commsave did enough before agreeing this loan, I think further checks would likely have shown Mt W could afford the repayments and I don't think Commsave acted unfairly by agreeing this top-up.

Second top-up

Mr W returned to Commsave for another top-up in November 2022. This time the total amount borrowed was increasing to £7,814.53 and the term of the loan was 48 months with repayments of £254.77 per month. I accept the repayments were lower than Mr W's previous loan, but the loan amount increased further which raised Mr W's indebtedness and this loan was also so close to the previous loan that I don't think it was reasonable for Commsave to rely on the amounts Mr W declared. I appreciate Commsave carried out a credit search which didn't suggest Mr W was in financial hardship but as mentioned above the close proximity of this further borrowing to previous loans and the increased loan amount should have prompted Commsave to verify Mr W's income and living costs as well.

Mr W declared his income as £1,965.80 and his living costs including credit commitments as £1,163.17. From Mr W's bank statements, his average income before this loan was around £1,900 and from the results of the credit search, Mr W's credit commitments had reduced to around £300 lower than what Mr W declared. I also can't see that Mr W was paying rent even though he declared £450 for this. I'm also mindful Mr W's application states he was a homeowner without a mortgage which suggests he wasn't paying housing costs. All of this mean his living expenses around this time was likely less than he declared but even with the higher amounts Mr W declared, he'd have enough to repay the loan and be left with disposable income of around £450.

Again, I think Commsave should have taken its checks further and if it did, it is likely to have found this top-up loan and increase in borrowing would have been affordable for Mr W.

Third top-up

Around six months later, Mr W returned for a third top-up in May 2023. This top-up took his total loan amount to £8,459.84. This loan was due to be repaid over 12 months with monthly repayments of £800.53.

I haven't gone into details of whether Commsave lent this loan unfairly as Mr W didn't make any payments towards this loan, he hasn't suffered any financial loss as a result of this top-up. So even if Commsave lent this loan when it shouldn't have, there will be no redress due.

Fourth top-up

Within two weeks, Mr W returned to Commsave for another top-up. This top-up took Mr W's overall borrowing to £9,459.84. The loan was due to be repaid in 24 monthly instalments of £500.62.

Mr W declared his income as £1,950 and his living costs including credit commitments as £1,325.62. The results of the credit search for this loan shows Mr W didn't have any outstanding loans, other than the one with Commsave and the other active credit accounts were credit card accounts which were up to date and within their limits. Mr W declared he lived with parents and the breakdown of his living expenses including credit commitments shows a credit commitment amount that was the same with the repayment of this loan (£500.62). Given that Mr W's other active credit accounts were credit card accounts which were well managed, Mr W was left with sufficient disposable income after repaying this loan.

Having thought about the lending through the relevant period, I don't think Commsave always did enough before agreeing to lend but I think had it carried out sufficient checks, found Mr W could afford the repayments at the time.

Mr W has specifically said the ease at which he could top-up should have been a concern as he was returning for more funds within a short period of time. I agree this was the case and that is why I've said Commsave should have increased the level of checks it carried out.

Mr W has also said he had a gambling addiction at the time which he was taking cash withdrawals and loans from family and friends to fund. I've looked at Mr W's bank statements and it isn't apparent from them that he was gambling or that he had a pattern of cash withdrawals that should have concerned Commsave. Even if Commsave requested Mr W's bank statements, I think it is unlikely to have seen he was gambling, and this wasn't information I can see Mr W provided to Commsave aware of at any point in the lending relationship in question.

While I can understand Mr W's concern about the lending here, after considering all the information, I've concluded that Commsave hasn't acted unfairly when it lent Mr W any of the loans.

My final decision

For the reasons given above, I don't uphold Mr W's complaint or make an award against Commsave Credit Union Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 June 2024.

Oyetola Oduola
Ombudsman