

The complaint

Mr P's complaint is that Swan Credit Union didn't advance him the funds for loans he had thought had been approved.

What happened

Mr P applied for a £1,050 payroll loan and this was approved on 23 October 2019. Mr P then applied for four further loans – two on 27 November then another on 3 December and then 13 December. After the applications he says he received a loan agreement however the funds weren't provided.

Swan Credit Union says that the first loan was approved in error as Mr P wasn't employed by an organisation which is on its payroll scheme. However, it says that Mr P was still required to repay the loan and that it would not advance further funds until Mr P started to make repayments. A meeting was then held where Swan Credit Union agreed to lend Mr P £1,350 – intended as £1,050 to repay the original loan and an additional £300 of credit. It says this was conditional on Mr P setting up a standing order to make the repayments, but this didn't happen.

Mr P referred his complaint to this service as he felt Swan Credit Union hadn't treated him fairly by not providing the funds for which he had received loan agreements.

Our investigator didn't uphold this complaint. He said that although the initial loan was provided in error, Mr P was a willing borrower and had the benefit of the funds and so it was reasonable he was expected to pay this back. Regarding the subsequent loans, he thought it wasn't clear that the agreements sent were draft agreements and that Swan Credit Union could have done more to make this clear and to have informed Mr P when his applications were declined. However, he thought the actions already taken by Swan Credit Union were sufficient to resolve this complaint.

Following our investigator's view being issued, Swan Credit Union said that once Mr P set up a standing order and the monthly payment had been received they would consider offering a new loan to cover the repayment of the original debt (including interest) plus an additional £300. They said this offer would be subject to affordability checks.

Mr P didn't accept the offer and his case has been passed to me, an ombudsman, to issue a 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.

Having done so I agree with the conclusions reached by our investigator for the following reasons:

- Mr P was provided with the loan he applied for in October 2019. This was for an amount of £1,050. Swan Credit Union have said this was provided due to an oversight as Mr P wasn't an employee by an organisation on its payroll scheme. Mr P applied for this loan and his complaint is about further lending not being provided, therefore I do not find I can say he was unhappy with the loan terms. There were limitations to the checks carried out before the loan was provided but the evidence gathered didn't raise affordability concerns. Given this, and that Mr P had the benefit of the funds, I find it reasonable that he is required to repay this loan.
- Mr P made further applications. I note his comments about being provided with loan agreements and I agree these aren't clear that they are draft agreements. However, Mr P emailed Swan Credit Union on 28 November 2019 about the funds not being provided for the loans he felt he had been approved the previous day. Swan Credit Union responded on 29 November saying that his two applications had been declined because no payments had been made towards the first loan. Given this I think Mr P was made aware two days after making his applications that the loans had been declined.
- Swan Credit Union made it clear that no further loans would be provided while repayments weren't being made on the first loan and so I find that Mr P shouldn't have expected his application made on 3 December to have been approved. This was also confirmed in an email exchange on 3 December.
- Swan Credit Union has tried to work with Mr P. It met with him on 12 December and agreed to provide a new loan for £1,350. The email sent 13 December confirmed the position:
 1. *You apply for a new loan of £1350 tonight (our loan system is closing down until the new year after tonight)*
 2. *You set up a standing order to pay a minimum of £56 per month from tonight (this is the monthly amount due on your previous 23 October loan of £1050)*
 3. *We will pay the net proceeds from the new loan of £300 (£1350 minus £1050) to you, as soon as funds have been received from your bank account*
 4. *You respond to this email to accept this offer from us so there is no misunderstanding on either side*
- Based on this I find that Mr P should have been aware that the loan was intended to repay his initial loan and provide an additional £300 of funds but that the funds would only be paid once he started to make his repayments. As this didn't happen, I do not find that Swan Credit Union did anything wrong by not providing the additional funds.

Since this case has been referred to this service for investigation, Swan Credit Union has said that if Mr P starts to make the repayments on his loan it will consider a new loan to cover the original loan plus an additional £300. This would be subject to affordability checks. I find this a reasonable offer and Mr P should work directly with Swan Credit Union if he wishes to pursue this.

My final decision

My final decision is that I do not uphold this complaint about Swan Credit Union.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 9 December 2020.

Jane Archer
Ombudsman