

## **The complaint**

Mr R is unhappy that he wasn't told that his savings would be held as security for his loan with Blantyre Credit Union Limited.

Blantyre Credit Union Limited trade as Lanarkshire Credit Union. For ease, I've just referred to Blantyre.

## **What happened**

- On 4 June 2019, Mr R took out a loan with Blantyre for home improvements.
- On 26 June 2019, Mr R contacted Blantyre because he couldn't access the savings he held with them. He needed these for a family holiday booked for 6 July 2019. Blantyre said that was because his savings were held as security for his loan.
- Mr R raised a complaint that he wasn't told about this when he took out the loan. And because he had already used the loan to pay for the home improvements, he had to cancel his family holiday.
- Blantyre said it was explained in the credit agreement. It also agreed to release half of his savings, although I understand it was too late at that point for them to be used for the planned holiday.
- Unhappy with Blantyre's response, Mr R raised his concerns with our service. In April 2021, I provisionally decided to uphold the complaint – and I explained my intention to ask Blantyre to pay Mr R £350 for his distress and inconvenience.
- Mr R accepted my findings. Blantyre disagreed – it said it provided the relevant information well before he signed the loan agreement. And that it went above and beyond by allowing him access to half his savings, which exposed Blantyre to greater risk.

## **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 considered Blantyre's response carefully, I've not changed my mind about the outcome to this complaint. While the information about the security was mentioned in the credit agreement, I don't think it was clear for the reasons I explained in my provisional decision. And the 'Credit Agreement Checklist' didn't specifically mention the security either. So I don't think that added the needed clarity.

I recognise Blantyre's efforts to help by releasing half his savings. But I don't think that was enough to put things right, given the impact the security had on Mr R.

So, I still uphold Mr R's complaint and I'm satisfied that £350 is fair compensation. For

completeness, I've explained my reasoning from the provisional decision below:

- I've reviewed Mr R's credit agreement. Under the "*declaration of borrower(s) and signatures to agreement*", it says: "*I/we hereby pledge all paid shares, all payments on account of shares and all deposits, which I/we have now or hereafter may have in the Credit Union as security for repayments of the Loan together with interest, costs and expenses and I/we hereby authorise the Credit Union to apply any and all such paid shares, payment on account of shares or deposits to the payment of said Loan, interest, costs and Expenses.*"
- This condition is part of several conditions in the declaration, which are all in small print. So I don't think it was highlighted to Mr R. And I'm not satisfied that it's written in a way where it's clear that not only could Mr R's savings be used if he didn't repay the loan as agreed but crucially, that he wouldn't be able to access them until his loan was repaid.
- I've also reviewed Mr R's application and the 'Credit Agreement Checklist'. These also don't explain how Mr R's savings will be affected. Indeed, I note Mr R's application was for an unsecured loan.
- It follows that I think Blantyre should've done more to clearly explain the loan's required security.
- I've considered what's likely to have happened if Blantyre had explained this clearly. Mr R said he wouldn't have taken it out – the loan was for home improvements that he'd not made any purchases for and could've have comfortably delayed. That way, Mr R could have used his savings as he planned to go on holiday.
- I've compared that with what actually happened. Mr R realised he couldn't access his savings around three weeks after the loan was deposited in his account, at which point he'd already spent the money on tradesmen. So, he's explained he had to cancel the holiday, as he didn't have any other options to raise the money needed.
- Mr R didn't lose out financially from this. But it's clear it's impacted him emotionally. The holiday was planned as a last family get-together, with his wife, children and mother-in-law, who was terminally ill. She died a few months after the planned holiday.
- Of course, the cancelled holiday didn't stop Mr R's family spending time together – but I do recognise the upset and disappointment about not having the trip they'd planned at what must have been a very sensitive time.
- I've weighed this up with the more positive consequences of what happened – although I realise Mr R is unlikely to view any of it this way. But, his savings are intact and can be put towards something else, and he's been able to make the home improvements he wanted.
- With this in mind, I've thought about how Blantyre should put things right. I can't ask Blantyre to simply release the security. It was part of their requirement to lend to Mr R so it would also mean rewinding the whole loan, which isn't possible as he's made use of it. In any event, I understand the security will be released soon when the loan is repaid in full.

- So instead, I've considered fair compensation, based on the impact it's had on Mr R that I've described above. These things aren't an exact science – and no money can really make up for being hurt emotionally. But in the circumstances, I think Blantyre should pay £350, as a fair reflection of what happened.

**My final decision**

For these reasons, I uphold Mr R's complaint and I order Blantyre Credit Union Limited to pay Mr R £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 9 June 2021.

Emma Szkolar  
**Ombudsman**