

The complaint

Ms J complains that she was misled about a loan by London Community Credit Union Limited (LCCU).

What happened

Miss J applied for a loan of £3,520.15 payable over 251 weeks from LCCU at a rate of 19.6%APR. This was agreed in March 2019.

Miss J complained that she had been misled on a call with LCCU that the discounted rate being offered – of 19.56% - was only for new customers. The call wasn't clear. And – once she'd got the loan - she thought she was being charged too much. The interest over the period of the loan was £1,009.18 – she calculated it to be £689.95.

LCCU said the loan was correctly set up to charge 19.6%. The interest was applied to the loan on a reducing balance basis – not on the full amount at the outset.

Miss J brought her complaint to us. Our investigator said that LCCU hadn't provided the call in question, so he couldn't say whether Miss J had been misled or not. But in the absence of any other information, he said she should receive compensation of £50. On the loan interest, he said that the information provided by LCCU was clear and accurate.

Miss J disagreed. LCCU didn't reply to our investigator's view. And so, Miss J's complaint has been looked at by an ombudsman

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.

Miss J says that when she called LCCU about the loan offer they said it was for new customers only. And she was therefore misled – as she already had a loan with £520 outstanding. We haven't been given this call to listen to, and so it's not possible to reach a view on what was said. But – in the absence of any contrary information, we have accepted Miss J's version of events and awarded £50 compensation to her. But I also note that even though the offered 'sale' rate was 19.56% APR – I can see that she was given a rate of 19.6% APR – so this was a very small difference.

Miss J borrowed £3,520.14 at an APR (Annual Percentage Rate) of 19.6%, payable over 151 weeks. This was on a reducing balance basis – so as the balance came down, so did the interest payable. Miss J says she's worked out that the interest should be £689.95, whereas the loan agreement provided by LCCU – and which she signed – said interest was £1,009.18. I've looked at this – and Miss J's calculations assume that the loan was only for one year – not almost three years. The interest rate is an annual rate - payable each year. So – her calculations aren't correct. I've looked at LCCU's calculations – and they're correct. They show the interest being applied for three years. If Miss J looks at the loan schedule – which she sent to us – that's what it says. It also shows that the amount lent starts at

£3,520.14 and reduces as payments are made. In the early months of the loan, there is more interest being paid off and less capital being paid off – but later in the loan, there is less interest being charged and more capital being paid off. This is what we would expect to see. And so – on this aspect of Miss J's complaint, LCCU have acted fairly. And I won't be asking them to do anymore.

But – for the misleading information that Miss J was given on the call, and in the absence of any other information I agree that LCCU should pay compensation of £50.

My final decision

I uphold this complaint and London Community Credit Union Limited must:

- Pay compensation of £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 9 November 2021.

Martin Lord
Ombudsman