

The complaint

Miss L complains that London Community Credit Union Limited (LCCU) is incorrectly claiming that there is a balance outstanding on a loan she took out.

What happened

In 2018, Miss L took out a loan with LCCU. The agreement said she would need to make 28 payments of £80, the total amount payable was £2,160.25 and the final payment would be on 29 June 2020.

In June 2020, Miss L reviewed her account – and although she had made 27 of the payments due to the loan, LCCU's online statement showed that she had £339.56 left to pay. Miss L considers this is incorrect. Although there have been some late payments, she has made 27 payments of £80 (£2,160) plus a further £10 a month to a savings account.

The investigator thought the complaint should be upheld. She said that LCCU had not responded to requests for information from us. She said that LCCU should write off the remaining balance of the loan and pay Miss L £100 for any distress and inconvenience.

LCCU responded to say that Miss L paid a total of £2,179 but that she missed three payments – and £10 fees were applied because of that. It said it calculated the current balance to be £198.29. the investigator sought clarification from LCCU but it hasn't responded.

Miss L responded to say that she had a savings balance with LCCU but she was experiencing problems in accessing her money.

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.

Under our rules I may reach a decision on the basis of what has been supplied and take account of the failure by a party to provide information requested.

LCCU has failed to provide all of the information the investigator has requested. When it did respond, the information it provided was insufficiently detailed to explain why the balance of the loan had increased by as much as it has.

When Miss L took out the loan, the agreement was that she would make payments totalling £2,160.25. I note that there is a discrepancy on the agreement as 28 payments of £80 totals £2,240.

I am satisfied that Ms L has made 27 payments of £80 totalling £2,160. It isn't in dispute that Miss L has missed some payments – but always made those payments up soon afterwards.

LCCU has charged three unpaid direct debit fees of £10 – in August 2019, March 2020 and June 2020. I accept the August 2019 and March 2020 were applied fairly. I don't consider

the June 2020 fee was fair – as this was applied after Miss L had queried the balance with LCCU. On the face of it, and without any evidence to the contrary, it doesn't appear that a full payment was due.

Further, LCCU has not provided a reasonable explanation why the balance of the loan has risen to £198.29. Even taking into account additional interest on the late payments, the fees and the relatively high interest rate, it is difficult to see how the balance could be as high as that.

The investigator pointed out the relevant parts of the FCA's Consumer Credit Sourcebook state that a lender must not ignore or disregard a customer's claim that a debt has been settled or disputed without providing clear evidence as to why the customer's claim is not valid.

LCCU has also failed to recognise that Miss L is vulnerable and its lack of a reasonable response will have caused Miss L some distress. In the individual circumstances of this complaint I agree with the investigator that it would be fair and reasonable for LCCU to write off the balance of Miss L's loan as it has not been able to explain why the balance is as high as it is. It should also pay her £100 to reflect the distress and inconvenience its lack of engagement has caused to her.

I note Miss L's point about the balance in the savings account. But as that matter was not raised as a complaint with us initially, I can't deal with that point here. I'd hope LCCU would be able to sort that out easily without the need for another complaint from Miss L. But if it doesn't Miss L can refer that complaint to us.

My final decision

London Community Credit Union Limited should:

- Write off Miss L's loan in full.
- Write to her to confirm it has done this.
- Pay Miss L £100 directly for any distress and inconvenience.

London Community Credit Union Limited must pay the compensation within 28 days of the date on which we tell it Miss L accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 9 March 2022.

Ken Rose
Ombudsman