

The complaint

Mr I complains London Community Credit Union Limited (LCCU) refused to accept his proposals to repay his loan after he experienced financial difficulties.

What happened

Mr I says he found himself in financial difficulties and in early November 2020 he wrote to all his creditors explaining his position, offering them a six-month payment plan. Mr I says all of his creditors accepted his offer apart from LCCU who failed to respond to his request and after a telephone conversation, he was asked to call in to sign an agreement. Mr I says much to his surprise when he arrived a loan agreement had already been prepared extending the loan to five years, which wasn't what he had asked for and was unaffordable to him. Mr I says he refused to sign the new loan agreement and LCCU have refused to accept his suggested payment plan and have continued to chase him for the debt causing him undue stress. Mr I wants LCCU to accept his proposals, suspend interest on his loan and compensate him for the trouble and upset caused.

LCCU says it offered Mr I a payment plan that would have considerably reduced his payments and asked him to provide evidence of his income, by way of wage slips and bank statements but these weren't provided. LCCU says as the arrears had been left unpaid, it acted reasonably in demanding the repayment of the loan.

Mr I wasn't happy with LCCU's response and referred the matter to this service.

The investigator looked at all the information available but didn't uphold the complaint. She felt that LCCU had no obligation to accept Mr I's payment offer and it showed forbearance in extending the loan term, reducing Mr I's monthly payments. The investigator also says she couldn't see Mr I had provided LCCU with proof of his income as it requested.

Mr I didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.

I can understand it would have been upsetting for Mr I to have his request for a payment plan rejected by LCCU when other creditors in a similar position had accepted his proposals.

When looking at this complaint I will consider if LCCU acted fairly when it refused Mr I's proposals to reschedule his loan account payments.

Mr I's complaint centres around the fact that after falling into financial difficulties in November 2020, LCCU were unhelpful in agreeing to a payment plan he had put forward

and simply imposed a plan that was unaffordable to him at the time. Mr I says that LCCU have also continued to pursue him for the payment of the outstanding debt.

The first thing to say here is that although Mr I says his financial position has been impacted by the Covid pandemic and that may well be the case, from the information he has provided this service I can't say this was ever explained to LCCU at the time. It's worth saying there is no mention of this in his covering letters to his creditors in early November 2020. In those letters I have seen that Mr I sent to all his creditors, it simply refers to him falling into financial difficulty. I say this because I can't expect LCCU to have known the primary cause of his financial problems were down to Covid unless he told them that. Additionally, Mr I requested LCCU to freeze interest on his loan account, which wouldn't have been compatible with the Covid support guidance given by the Financial Conduct Authority, as interest was still payable with Covid payment holiday agreements.

That said, we would expect businesses like LCCU, to support its customers in these circumstances. It's fair to say LCCU had no obligation to accept Mr I's payment plan proposals, but what isn't clear here is how it came to the view that what it offered, which was extending the term of Mr I's loan, was going to be affordable to him. I can see that in Mr I's covering letter in early November 2020, which prompted LCCU to invite him to visit their local branch, it included a schedule of payments offered to his other creditors. Importantly that letter also included an income and expenditure profile which indicated Mr I's offer to LCCU of £25 per month, was all he could reasonably afford at that time.

Knowing that, it appears LCCU following a discussion with Mr I then prepared a loan agreement for him to sign which asked Mr I to pay back £115 per month over a five-year period, the maximum term it could extend the loan to. LCCU have made the point that this represented a sizeable reduction in Mr I's existing monthly payments of £200 per month, so they have tried to support him here. Whilst I can see LCCU have offered Mr I some forbearance, I can't see what it offered was in Mr I's best interest given it had been provided with an income and expenditure profile, evidencing Mr I wouldn't be able to meet the payments LCCU had demanded.

It's fair to say in all probability, if Mr I had agreed to the proposals LCCU offered, based on the income and expenditure profile I have seen, he was never likely to be able to afford those monthly loan payments and there was little point having that arrangement in place.

From what I've seen, part of the issue here seems to stem from the lack of communication between both parties to attempt to find an agreeable and workable way forward. I can see LCCU have corresponded with Mr I, so he also needs to take some responsibility to ensure an agreement could have been reached. I understand from LCCU that when Mr I visited their branch in November 2020 there was a disagreement which resulted in Mr I being asked to leave the branch. But here I have no evidence to support that, so I can't comment other than to say it's in both parties' best interests to now discuss an affordable and workable way forward.

It wouldn't be fair of me to ask LCCU to reduce the capital sum outstanding here as Mr I suggests, as he has benefited from the use of those loan monies. I have also seen a statement provided to this service by LCCU, showing it hasn't charged any interest on the debt outstanding since November 2020, so I feel they have acted reasonably here.

With this in mind I propose the way forward is for Mr I and LCCU to discuss a suitable payment plan and for Mr I to provide LCCU with an up to date profile of his financial position, to enable that. I would also propose LCCU remove any adverse entries on Mr I's credit file relating to this loan and replace it with a payment arrangement marker, to be back dated to November 2020. I say this as I am satisfied that would be a fairer reflection of what should

have happened at that time.

I also propose LCCU pay Mr I £200 for the trouble and upset caused.

While both Mr I and LCCU may be disappointed with my provisional decision, I feel this is a reasonable and practical way forward here.

Both Mr I and LCCU responded to my provisional decision, so the case has been passed back to me to make a final 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.

I gave both Mr I and LCCU until 13 April 2022 to accept or reject my provisional decision.

LCCU have confirmed they have nothing further to add to my provisional decision. Mr I has accepted my provisional decision but wanted clarification regarding any interest charges to his loan account since November 2020. As I explained in my provisional decision, which has been accepted by LCCU, no interest has been charged on Mr I's loan account by LCCU since November 2020 and I wouldn't expect this to be backdated now, simply that a suitable payment plan is agreed going forward.

With this in mind, I see no need to add or change my original provisional decision and so my final decision remains the same.

Putting things right

I instruct London Community Credit Union Limited and Mr I to agree a suitable payment plan going forward, with Mr I providing it with an up to date profile of his financial position, to enable that. Additionally, I instruct London Community Credit Union Limited remove any adverse entries on Mr I's credit file relating to this loan and replace it with a payment plan arrangement marker, back dated to November 2020.

I also instruct London Community Credit Union Limited to pay Mr I £200 for the trouble and upset caused.

My final decision

My final decision is that I uphold this complaint.

I instruct London Community Credit Union Limited and Mr I to agree a suitable payment plan going forward, with Mr I providing it with an up to date profile of his financial position, to enable that. Additionally, I instruct London Community Credit Union Limited to remove any adverse entries on Mr I's credit file relating to this loan and replace it with a payment plan arrangement marker, back dated to November 2020.

I also instruct London Community Credit Union Limited to pay Mr I £200 for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 18 May 2022.

Barry White

Ombudsman