

The complaint

U, a limited company, complains about information supplied by Funding Circle Ltd in the course of its administration of a peer-to-peer loan. U is represented by a director, Ms J, though for ease of reading I shall refer to her actions as those of U.

What happened

In 2018, U took out a loan arranged through Funding Circle, a peer-to-peer lending platform. According to the loan agreement, U borrowed £99,640 (including a loan completion fee of £5,640), at an interest rate of 16.60%. The loan was to be repaid over 48 monthly payments of £2,854.54.

Around October 2020, U required loan statements for audit purposes. U felt that the information supplied on the statements was inadequate for its auditor's requirements, as it didn't contain details of the outstanding balance. As I understand it, this was a change from Funding Circle's previous position.

U said that for the purposes of transparency, Funding Circle should include the correct outstanding balance on all statements. U was further dissatisfied that information Funding Circle sent separately in February 2021 overstated the balance by nearly £7,000.

Due to its dissatisfaction and what it suggested was fraudulent activity, U says it spent time and effort in corresponding with Funding Circle to put things right, and that because Funding Circle didn't provide satisfactory responses, U stopped making loan payments..

In response Funding Circle acknowledged that on multiple occasions, it failed to provide account statements or the information U had requested, instead issuing documents U hadn't asked for. Funding Circle said that it was in the process of restoring the principal balance figure to its statements, and was also looking into reintroducing the date on account statements, which was also part of U's concern.

Recognising the delays and difficulties its actions had caused, Funding Circle apologised. It noted that because U had stopped paying, the account was in arrears. To settle matters, Funding Circle proposed that – subject to U repaying the outstanding arrears sum – it would waive interest on the arrears; an amount equating to £308.40.

Our investigator was satisfied Funding Circle had calculated the loan balance and payments correctly, and applied these to the account when they were made. She didn't think it was for us to set out how Funding Circle should produce account statements. The investigator felt there was a reasonable explanation for the balance discrepancy between U's calculations and Funding Circle's statements. And while she noted the arrears on the loan account she considered it reasonable that Funding Circle had offered to waive the additional interest on these sums.

U didn't accept the investigator's conclusions and matters have been passed to me for review.

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 understand U's need to have statements that comply with its auditor's requirements, and why it would be useful for Funding Circle to produce them as per U's request. That doesn't mean it was wrong for Funding Circle to produce statements in the format it did – this type of borrowing isn't subject to the same regulatory requirements as, say, lending regulated under the Consumer Credit Act 1974. But there are some general principles that apply to all regulated firms; notably that a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is fair, clear and not misleading.

The Lending Standards Board's Standards of Lending Practice for business customers outlines what I consider to be good industry practice in this respect. It says lenders should *"respond to requests from their customers in an open and transparent manner, in relation to information it holds about the customer's products...they should be provided with sufficient amount of information to answer their query in an open and transparent way...examples may include repayment history"*.

Neither of these things oblige Funding Circle to set out its statements in the customer's preferred format. In the absence of a standard form for account statements, it is open to Funding Circle to comply with U's request in line with these general obligations by communicating the payment history and loan balance in separate correspondence. I fully understand the convenience of doing so in a combined statement, but it isn't inherently unfair not to do this. Nevertheless, I'm pleased to see that Funding Circle appears to have taken on board feedback from U and other customers in relation to restoring what is doubtless helpful information to the account statements it issues.

Of course, one of the key obligations is that the information supplied is not misleading. It is acknowledged fact that Funding Circle's email in February 2021 contained the wrong balance. I find no evidence to support U's contention that this amounts to fraud on Funding Circle's part. This was not a demand for payment, nor does it appear to be an attempt to deceive U in order to obtain a higher amount than was due. After all, in October 2020 Funding Circle had sent U a similar email showing a lower balance.

It seems to me that the most likely explanation here is that Funding Circle's February 2021 email stated the remaining amount due under the loan agreement rather than the running total under the usual amortisation schedule. That should not have happened, and no doubt added to U's sense of frustration and annoyance.

I consider this falls quite some way short of fraud as suggested by U. But it is only right that Funding Circle recognises the frustration and annoyance caused by its mishandling of U's requests. In my opinion the proposal equating to £308.40 was a fair way to reflect this. I appreciate Funding Circle's original proposal was contingent on U clearing arrears by a specified date. However, I don't see that the continued existence of such arrears changes the inconvenience caused to U by Funding Circle's acknowledged communication shortcomings.

I can also understand that this sense of frustration led U to suspend loan payments. While I understand the reasons behind this, the consequences of non-payment can be significant. There was nothing to suggest that U might genuinely have believed the loan to have been fully repaid, or that no further payments were due.

As I understand it, on 26 August 2021 U brought the missed payments up to date with a lump sum payment, but has paid no further sums towards the balance. The contractual obligation to maintain payments remained in place, and I see no proper basis to say Funding Circle was acting unreasonably in continuing to seek repayment of money that wasn't in dispute.

My final decision

For the reasons I've set out here, my final decision is that to settle this complaint, Funding Circle Limited should credit U's loan account with the £308.40 it previously proposed. I don't require Funding Circle to take any further action in relation to the defaulting of U's account, or to make any direction that affects Funding Circle's right to pursue the account balance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J, on behalf of U, to accept or reject my decision before 11 January 2023.

Niall Taylor
Ombudsman