

## **The complaint**

Miss L complains that London Community Credit Union Limited took £239 from her savings account for loan repayments. She wants this sum refunded.

## **What happened**

In May 2018 Miss L took out a loan for £1500 with LCCU. Her first direct debit payment was due on 1 June 2018. LCCU says that the direct debit payment failed and was returned unpaid. Following this, LCCU says there were successive direct debits followed by failed direct debits, culminating in a transfer of £239 from Miss L's savings account on 14 August 2020 to cover missed payments.

Miss L complained to LCCU but it didn't respond so she complained to this service.

Our investigator upheld the complaint. He said that LCCU had failed to provide any evidence to show that it transferred money from Miss L's savings account fairly, because it hadn't provided any calculations of the arrears and hadn't provided the terms and conditions of Miss L's account.

LCCU replied to the investigators view and said that the terms and conditions of the loan agreement stated that savings are held as security for the loan, and that if the member misses a payment the savings account will be used to offset the outstanding balance or the arrears.

## **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've reviewed all of the information that LCCU has provided. It says that since taking out the loan, Miss L has had direct debits returned on the following dates:

1 June 2018

14 August 2019

16 March 2020

15 June 2020

LCCU says that of these failed direct debits, some were remedied by later payments, leaving arrears in respect of the failed direct debits dated 1 June 2018, 14 August 2019 and 15 June 2020.

LCCU says that it transferred the sum of £239 from Miss L's savings account to the loan account on 14 August 2020.

In Miss L's previous complaint to this service regarding her loan account, LCCU relied on the

terms and conditions of the account and said that when a loan balance becomes immediately repayable, it can apply any of the borrowers other deposits or savings towards repayment of the amount due.

In this complaint, LCCU has said that the terms and conditions of the loan agreement state that savings are held as security for the loan and that in the event that a loan payment is missed, the savings will be used to offset the outstanding balance or arrears.

LCCU hasn't provided a copy of the terms and conditions of the loan account to this service. It isn't clear whether the terms and conditions give LCCU a general right of offset in the event of a missed payment, or whether funds can only be transferred from other accounts in the event that the loan balance becomes immediately repayable. I haven't been provided with evidence to show whether the account was defaulted or not. So, I can't be certain of exactly what the terms and conditions allow LCCU to do and whether the account was defaulted – and if so, whether it was fairly defaulted.

Further, if LCCU's terms and conditions say that it can offset money held in other accounts in the event that a loan payment is missed, it isn't clear why LCCU didn't offset funds when Miss L's direct debits failed in June 2018 and August 2019.

Based on the information I've seen, I'm not persuaded that LCCU has acted fairly here. LCCU hasn't provided the terms and conditions it relies on and has given conflicting accounts of what the terms and conditions allow it to do and in what circumstances.

I'm therefore upholding the complaint. LCCU must repay £239 to Miss L.

### **Putting things right**

To put things right, London Community Credit Union Limited must refund £239 to Miss L.

### **My final decision**

My final decision is that I uphold the complaint. LCCU must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 5 September 2023.

Emma Davy  
**Ombudsman**