

The complaint

Mr F complains Brent Shrine Credit Union Limited, trading as My Community Bank (“MCB”), did not treat him fairly after he applied for additional borrowing.

What happened

I issued a provisional decision in this matter because I thought MCB needed to take action to put things right for Mr F. I said:

“In March 2021 Mr F took out a loan (“Loan 1”) with MCB for £2,000. It was to be repaid at about £87 a month, over 36 months. The total amount payable was about £3,200. Mr F has some concerns with Loan 1. For example, he considers he was charged interest on an arrangement fee of £0, and the repayments are less than the total amount payable.

I have considered Mr F’s concerns and don’t find any errors with the loan. There is no interest payable on the arrangement fee because the arrangement fee is £0. Mr F has similar concerns about some other loan related paperwork, which I will come on to. I don’t find any errors there either, for broadly the same reasons as with Loan 1.

In July 2021 Mr F approached MCB for a further loan. Mr F says he wanted to borrow an additional £2,500. After speaking to Mr F on the phone, MCB says it thought he wanted to borrow £2,500 in total. Instead, a separate loan (“Loan 2”) for £2,500 was issued, to be repaid at about £85 a month, over 48 months. At this point, the total amount payable was about £4,150. MCB says it intended to use about £1,900 of Loan 2 to repay Loan 1, and pass the remainder to Mr F. Instead, it mistakenly passed him the full £2,500. This meant Loan 1 wasn’t repaid, and so Mr F had the two loans running concurrently. The total amount repayable across the two loans at this stage was about £7,350.

MCB recognised it made a mistake and then attempted to contact Mr F. Mr F acknowledges this but says he didn’t know why MCB wanted to speak to him, so he didn’t make contact. In August 2021, MCB tried to take two direct debits from Mr F’s account. The payment for Loan 1 failed. Mr F thought there had been a mistake and it was at this point that he contacted MCB.

Looking at all of this in the round, I think both parties could have done more to avoid the situation as it now stands. MCB should have made more substantive attempts to contact Mr F to resolve matters in July 2021 when it realised there had been a mistake. And looking at this objectively, I don’t think it would have been unreasonable for Mr F to have responded when MCB tried to contact him.

I accept what Mr F said about MCB giving him a lot of confusing information on the phone. And I can see why Mr F may not have paid too much attention to the detail of the agreements. But if he had looked more closely, I think he would have seen something was amiss with the agreements and the transferred funds. I say this because by the time he’d applied for Loan 2, Mr F had just under £2,000 still outstanding on Loan 1. He then signed an agreement to borrow £2,500 on Loan 2 and received £2,500 into his bank account. If Mr F thought there was only one agreement in place, that means he would have paid £85 a month over 48 months. In

adding that up, it would have meant him paying back £4,150 in repayments – which was less than the total he'd borrowed.

After August 2021, there was some contact between Mr F and MCB but no agreement was reached. In October 2021 MCB offered a way forward. It offered to combine both loans into a new loan ("Loan 3"), at a better interest rate, over a longer term. And it offered to waive some interest. The loan would have been for £4,400, to be repaid at about £105 a month, over 60 months. The total amount repayable would have been about £6,300. Mr F declined this offer as he thought he'd have been worse off and has said, broadly, it didn't put things right as he wouldn't have taken out a loan this big had he known the consequences – higher cost of borrowing and longer term. I know Mr F was very concerned that this offer would have made him worse off. But looking at the total amount payable, I think MCB's offer would have worked out cheaper at that time.

Looking at what should have happened back in July 2021, I can't know for certain what Mr F would have done if MCB had offered him a loan on those terms. But on balance, I think it's likely he would have taken out a loan for £4,400 in July 2021 if things had gone as he says they should have. I say this for the following reasons:

- Mr F wanted to borrow an additional £2,500 in July 2021. With his existing loan, this meant he needed to borrow £4,400 from MCB in total. And that's what he's now got, albeit not in the way initially intended.
- Mr F wanted further borrowing, for a specific purpose, which suggests he needed it.
- The interest rates set out the agreements for Loan 1 and Loan 2 were high, and Mr F accepted them. This suggests he may not have had access to other, cheaper credit elsewhere. And if interest rates (and borrowing costs) were important to Mr F – as appears to be the case from what he's said during this complaint – a July 2021 loan for £4,400 would have had a much more competitive interest rate, and a lower cost of borrowing (as Loan 3 would have).
- The repayments on Loan 1 and Loan 2 were about £87/85 a month. A July 2021 loan for £4,400 would have had repayments of about £105 a month (as Loan 3 would have). I appreciate this would have been an increased payment, but not a huge one. I acknowledge the term of 60-months offered in October 2021 is longer than Loans 1 and 2, but I find that would have been appropriate in increasing affordability and was offset by the better interest rate.

I'm satisfied MCB's offer in October 2021 would – alongside the waiving of some interest on Loan 1 – have put Mr F as close as practically possible to the position he should have been in. He didn't accept it at the time and things have moved on. Mr F has been making payments to Loan 2, but not Loan 1, so MCB says Loan 1 is in significant arrears and Mr F's credit file has been impacted. And MCB has withdrawn its October 2021 offer. It also now considers Loan 1 to be in a default position.

Given I find MCB's October 2021 offer was a fair and appropriate one, that Mr F shouldn't be penalised for complaining, and that there is a broader need to bring this matter to a fair and reasonable resolution, I intend to require MCB to follow through on its October 2021 offer, with some slight changes. I intend to require it do as follows:

1. Had the one loan for £4,400 been issued, Mr F would have been paying interest on his borrowing based on the July 2021 rate on a loan for £4,400,

over 60 months. MCB should rework the outstanding balances on Loans 1 and 2 based on what this interest rate would have been;

2. MCB should combine the reworked outstanding balances from (1) into a new loan over a 60-month term. The interest rate should be the July 2021 rate as established in (1); and

3. When (2) has been completed Loan 1 should be closed and reported to the credit reference agencies as settled in July 2021. Any adverse information from July 2021 onwards should be removed. A default must not be reported in respect of Loan 1. Loan 2 should be closed and reported as settled from the date it is settled.

Mr F has some significant and ongoing health concerns and has kindly set out to our service the impact this matter has had on him. In addition to the initial mistake and that this matter has been on his mind for quite some time, Mr F has explained he's been further impacted by what he considers to be MCB's dishonest and, at times, intimidating behaviour. I'm sorry to hear about Mr F's experience. It is not in doubt that pursuing his complaint has been difficult and stressful for Mr F. However, I must approach this matter objectively.

Overall, I find MCB made a mistake. But it ought to have been a relatively minor one. And when the quick fix – Mr F returning the excess money – couldn't be done, MCB offered a repayment plan. It then offered to a new loan which I'm satisfied, for the reasons set out above, was a fair and appropriate resolution to this matter. And while this complaint has been ongoing MCB hasn't actively pursued Mr F for repayment despite repayments on Loan 1 stopping in or around August 2021. And I haven't seen anything which persuades me MCB acted in bad faith, or attempted to intimidate Mr F. Nor have I found its customer service has been unsatisfactory more generally. In those circumstances, my provisional view is that I can't fairly and reasonably require MCB to pay Mr F compensation."

I asked the parties to provide me with any further information or evidence they wanted me to consider before I issued a final decision.

MCB indicated that it agreed with my provisional decision.

Mr F provided a full response. By way of a very brief summary, he said he agreed with what I said about reporting to credit reference agencies. However, Mr F reiterated his view that he wouldn't have proceeded with the borrowing even if things had gone as they should have back in July 2021. He did not agree with what I said about the customer service he had received from MCB. He reiterated his belief that there were discrepancies and inaccuracies with the figures used by MCB in its calculations.

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.

In particular, I have given careful thought to the detailed comments provided by Mr F.

Having done so, I'm not persuaded to depart from my provisional findings. So, I've upheld the complaint to the same extent and for essentially the same reasons as set out in my provisional decision.

I know Mr F feels strongly that MCB treated him very badly and he felt intimidated. I can also see that he feels strongly that he wouldn't have taken the extra borrowing out if things had gone as they should have done back in July 2021. I want to make clear that I accept that what Mr F told us is how he honestly feels about these things.

But I have to look at things objectively and I have to apply the balance of probabilities. What that means is that I have to look at what would have most likely happened based on all the evidence that's before me. I can see that Mr F told us that due to his difficult personal circumstances at the time, he wasn't in a position to search for alternative credit. I know Mr F disagrees but looking at this objectively and for the reasons set out in my provisional decision, I think it's most likely that he would have taken the credit out.

I've thought carefully about the points Mr F made about customer service. He made specific reference to the notice of default MCB sent to him whilst the complaint was being considered by this service, which made him feel threatened and intimidated. It wasn't helpful for MCB to send this notice out when it knew I was considering the complaint. But it quickly agreed to take no further action after being contacted by our investigator. I know Mr F found this letter to be very upsetting. But again, I must be objective. I can't say MCB set out to deliberately frighten Mr F when it sent this correspondence. And for the reasons set out in my provisional decision, I can't objectively say MCB acted in bad faith in its dealings with Mr F.

I know Mr F felt there were discrepancies with MCB's calculations. Again, I know Mr F felt strongly about this part of his complaint, but I didn't have concerns about how MCB had calculated things generally. More specifically, Mr F said he thought there was a difference of £66.13 in what he was expected to pay back. But I think this would be accounted for by the final contractual repayment, which wasn't intended to be the same as the usual monthly repayments.

Mr F expressed concern that MCB would not take account of the four payments he had already made for Loan 1 when it calculated Loan 3. I have amended the compensation set out below to make clear that MCB will need to take account of this.

Putting things right

I require MCB to put things right for Mr F as I have set out below:

1. Had the one loan for £4,400 been issued, Mr F would have been paying interest on his borrowing based on the July 2021 rate on a loan for £4,400, over 60 months. MCB should rework the outstanding balances on Loans 1 and 2 based on what this interest rate would have been. In doing so, it must make sure it takes account of the repayments Mr F has already made in respect of Loan 1 and Loan 2;
2. MCB should combine the reworked outstanding balances from (1) into a new loan over a 60-month term. The interest rate should be the July 2021 rate as established in (1); and
3. When (2) has been completed Loan 1 should be closed and reported to the credit reference agencies as settled in July 2021. Any adverse information from July 2021 onwards should be removed. A default must not be reported in respect of Loan 1. Loan 2 should be closed and reported as settled from the date it is settled.

My final decision

I uphold Mr F's complaint about Brent Shrine Credit Union Limited, trading as My Community Bank and require it to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 26 May 2023.

Nicola Bowes
Ombudsman