

The complaint

Mr M complains that London Community Credit Union Limited didn't send loan proceeds to his account. Mr M also says he is being chased for payments and has been threatened with court action.

What happened

Mr M says he went to a branch of London Community Credit Union Limited ("LCCU") in August 2021 to apply for a £5,000 loan. Mr M says he spoke to a branch manager and provided his membership number to him, with the manager then giving him a schedule of payments for the loan.

Mr M says he signed documents upon request, but no copies were given to him. He returned to the branch a week or so later and was told the money was in a bank account. Mr M says he didn't give LCCU any account details, and that he checked his bank account but there was no sign of the money.

Mr M complained to LCCU and then brought his complaint to our service. Our investigator recommended that it should be upheld. She said LCCU hadn't responded to our numerous requests to send information and evidence showing that the loan proceeds went to an account of Mr M's, or that this went to an account from details provided by him. She recommended that LCCU carry out and complete an investigation into where the funds went, and to stop all action against Mr M. Our investigator also recommended that LCCU pay Mr M £250 for the stress and inconvenience caused to him and to credit him with the loan proceeds if his loan application was successful.

LCCU didn't reply and so Mr M's complaint has been passed to me for a 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.

It's disappointing to see that LCCU hasn't sent anything to us about this complaint despite our investigator asking for their submissions on several occasions and speaking to LCCU on the phone about this. As it stands therefore, I have nothing from LCCU to consider in respect of their position on this complaint.

Mr M has sent us a copy of his bank statement which I've seen. The loan proceeds of £5,000 weren't credited to this account. Although it's possible this money went elsewhere upon instruction from Mr M, or that this sits in an account he holds with LCCU, I have nothing to show where this money went, that it was sent to an account Mr M owns, or any evidence around Mr M's loan application being successful.

I will therefore be upholding Mr M's complaint as I've not been sufficiently persuaded that his position on what has happened is incorrect.

Putting things right

LCCU should, if they wish, carry out an investigation into where the loan proceeds went. If they can show Mr M that this went to an account of his, then it should show him sufficient evidence of this. For now, LCCU should cease all collections and recovery action against him and to remove any trace of this loan from Mr M's credit file. If the loan proceeds haven't been credited to an account of Mr M's, or an account for which he gave details to LCCU, then LCCU should proceed to credit an account upon confirmation from Mr M if he still wants the loan. At that point, payments can begin to be collected from Mr M and any appropriate collections activity can start if necessary.

I think Mr M has been caused distress and inconvenience by what's happened, and I will be directing LCCU to pay him compensation.

My final decision

I uphold this complaint and direct London Community Credit Union Limited to do the following:

- Carry out an investigation, if they wish, into where the loan proceeds went. If they can show Mr M that this went to an account of his or an account for which he gave instruction to send this money, then it should show him sufficient evidence of this. Until such time as this has been completed, they should cease all collections and recovery action against Mr M and to remove any trace of this loan from his credit file.
- If the loan proceeds haven't been credited to an account of Mr M's, or an account for which he gave details to LCCU, then LCCU should proceed to credit an account upon confirmation from Mr M (if he still wishes to proceed with the loan). At that point, payments can begin to be collected from Mr M and any appropriate collections activity can start if necessary.
- Pay Mr M £250 for the distress and inconvenience this matter has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 November 2023.

Daniel Picken
Ombudsman