

The complaint

Mr B complains that he didn't receive the proceeds of a loan from Shettleston and Tollcross Credit Union Limited ("STCU").

What happened

On 2 October 2023 Mr B signed for a £2000 loan against his share balance of £4,500 and asked STCU to pay the proceeds into his bank account.

STCU paid the monies into Mr B's bank account on 9 October 2023. Mr B didn't receive the monies. He queried this with STCU on 13 October 2023 and it was then discovered that there was an error in the bank details. It transpired that the funds had been paid into a joint account that Mr B previously shared with his ex-wife.

STCU contacted the recipient bank that day to try and recover the funds. There was a delay which STCU says was caused by the recipient bank. STCU managed to recover £1000 of the £2000 paid into the recipient bank but the balance was irrecoverable because the account that the money had been paid into had insufficient funds to give a full refund.

STCU placed the £1000 it had recovered in a suspense account for Mr B.

Mr B complained to STCU. He said he'd been paying into his share saving account every month by standing order from his bank account and STCU should've known that these were his bank details. He said he wanted the remaining £1000 returned to him.

STCU didn't uphold the complaint. It said there was nothing further it could make the recipient bank do to make it refund money which was paid into an account that was linked to Mr B's name.

Mr B remained unhappy and brought his complaint to this service. He feels that STCU should've checked with him to confirm his bank details before they paid out the loan proceeds. He says his name was removed from the account he shared with his ex-wife over 12 years ago. Mr B isn't happy that he is being held responsible for repayment of a £2000 loan of which he has only received £1000.

Our investigator upheld the complaint. She said she didn't think STCU had done enough to identify the bank details where the funds were to be paid. The investigator said that STCU should cancel the loan agreement, pay the funds back to source, remove the credit agreement from the credit reference agencies records and pay interest and compensation.

STCU didn't agree. It said it was a non-profit community run credit union and it would have to use other members money to refund Mr B. It said that the other members wouldn't be happy about this as it was Mr B's fault that he hadn't updated his bank details with them. It said that it would have asked Mr B if his bank details had changed, and that Mr B would have said no.

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 read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it isn't because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Where the information I've got is incomplete or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

The nub of this complaint is about where the responsibility lies for sending the loan proceeds to the wrong bank account.

The parties differ in their version of events. Mr B says that when he applied for the loan with STCU, he went into the branch to complete the paperwork. Mr B has told this service that the staff member who processed his application told him that they could already see that they held his bank details on the system. Mr B says he assumed that the staff member was referring to the bank from which he paid his monthly standing order to his shares account. Mr B says he didn't think the staff member would be referring to details of an account that STCU obtained over 20 years ago and in respect of which he was no longer a named account holder.

Mr B has said that at no point did the staff member ask him to confirm his bank details, or to check the bank details which it held on its system for him. Nor was he asked to provide verification of his bank details to make sure that the information was correct.

STCU says that the staff member asked Mr B whether the bank account details it held on file for him were correct as he wrote them down on the form, and that Mr B agreed verbally before he signed the loan form. STCU says it rarely pays into a bank account unless bank details are read out and double checked. It says the staff member obtained the bank details from the member information screen and that these details had been provided by Mr B. It says it cannot be expected to know if a member's bank details have changed unless the member tells them, and that it always tells members to update their standing order form and hand a copy back to them to update their records.

STCU has also said that unless a member tells them they have changed bank details, they "*assume*" (my emphasis) that what the member has told them in the past stands.

I've reviewed the secure loan form. The section which Mr B was asked to complete and sign contains only basic information. There is another section headed "official use only" which includes details of how the funds were going to be paid to Mr B. It is in this box that STCU has written the bank details. I can't be certain that the "official use only" section was completed before Mr B signed the secure loan form.

Further, I'm troubled by STCU stating that it assumes that what a member has told them (about bank details) in the past stands. This is counter intuitive to what STCU has said previously, which is that they asked Mr B if any of his bank details had changed. If a member is always asked if their bank details have changed – which is what STCU has said its policy is – then there would be no need to assume that what a member has said in the past stands.

Even if Mr B was asked if his bank details had changed, I think it was reasonable for him to believe that he was being asked about whether the account from which his standing order

payments to his share account had changed. This was the only account that he had entered into transactions with STCU with in several years.

Ultimately, STCU is under an obligation to make sure that the details of the loan including where the loan proceeds are to be paid are correct. In this case, there isn't enough evidence to persuade me that STCU took reasonable steps to make sure it held the correct bank account details for Mr B. For this reason, I think STCU needs to put things right for Mr B.

Putting things right

To put things right, STCU must:

Cancel the loan and refund Mr B's share account with the source funds, plus 8% simple interest from the date the funds were debited to the date of settlement

Remove the agreement from all internal records and from the credit reference agencies

Pay Mr B £200 compensation for the distress and inconvenience caused

My final decision

My final decision is that I uphold the complaint. Shettleston and Tollcross Credit Union Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 September 2024.

Emma Davy
Ombudsman