

## **The complaint**

Mr A brings this complaint on behalf of his grandmother Mrs M. The complaint is about the actions of Wiltshire and Swindon Credit Union Limited trading as Acorn Community Bank ("Acorn") in offering loans to Mrs M.

Mr A says that Mrs M has health concerns and a long-term gambling addiction, suggesting Acorn's actions were irresponsible and point towards a lack of proper safeguarding towards vulnerable customers.

## **What happened**

Mrs M is a long-standing Acorn customer, having taken out several loans with it since 2018. Like many credit unions, Acorn's lending criteria include a requirement for customers to save alongside any lending it provides. However, it is not a current account provider, and as I understand it Mrs M uses a different provider for her day-to-day banking arrangements.

In December 2023 Mr A became aware that Mrs M was in the course of completing an application for additional borrowing as a 'top-up' to an existing loan. He expressed concerns to Acorn about Mrs M's financial position and how it had allowed her to borrow money a few months previously, which had also been a top-up and taking her debt to nearly £1,000. Mr A told Acorn of his grandmother's dementia and that she had a gambling addiction. He felt Acorn hadn't taken suitable steps to protect Mrs M and raised a complaint to it.

Acorn didn't think the complaint was justified. It said it had had many conversations with Mrs M during her relationship with it, and nothing had suggested the vulnerabilities Mr A had highlighted. It didn't think it had done anything wrong in approving the lending, though it acknowledged a delay in responding to the complaint and credited Mrs M's savings account with £10 in recognition of this.

Mr A remained dissatisfied and referred the complaint to us. Our investigator looked at the steps Acorn took when it approved Mrs M's borrowing. While this showed some historic adverse payment history, the investigator was satisfied this wasn't significant in the context of the loan application. He found that Acorn had undertaken reasonable and proportionate checks before agreeing to lend, and that there was nothing else to suggest Acorn's lending decision was unfair or unaffordable for Mrs M.

Having found nothing to show Acorn was, or ought to have been, aware of Mrs M's vulnerabilities when it agreed to lend to her, the investigator didn't think he could recommend upholding the complaint. He did note, however, that Acorn had told us it was taking steps to improve and reinforce its processes in light of some of the issues Mrs M's complaint had brought to light. The investigator added that Acorn had offered to pay Mrs M an ex-gratia sum of £50, which I understand has been credited to her account. He didn't think Acorn needed to do anything further.

Mr A maintains that in his view Mrs M was exploited and that Acorn did not take safeguarding measures. He says that while the credit referencing system Acorn used would not have identified Mrs M's dementia, he finds it hard to believe that Acorn would not have

noticed changes in Mrs M's behaviour over the period of her relationship with it. He also noted that Mrs M's gambling habit involved placing cash bets, and that had Acorn required sight of her bank statements, this could have been flagged as a possible concern. In support of his concerns, Mr A provided background medical evidence, which with consent has been shared with Acorn.

The investigator wasn't persuaded that Mr A's further points led him to reach a different outcome. The complaint has now been passed to me for review and determination, as the final stage in our process for dealing with it.

### **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.

Our investigator set out the relevant considerations in relation to unaffordable and/or irresponsible lending, and further information on our general approach can be found on our website – including the key relevant rules, guidance, good industry practice and law.

I've taken this into account while also bearing in mind the relevant lending provisions in CREDS – the Financial Conduct Authority's ("FCA") specialist sourcebook relating to Credit Union activity. In light of Mr A's specific concerns over his grandmother's personal circumstances, I've also thought about the FCA's guidance and principles for firms dealing with vulnerable customers<sup>1</sup>.

Having done so, while I recognise it will be disappointing for Mr A, I've reached broadly similar conclusions to our investigator. I'm satisfied Acorn acted in line with relevant lending rules and provisions in relation to the checks it carried out to assess whether Mrs M would be able to repay the credit and the financial impact the additional borrowing would have.

Those checks showed some adverse payment history, though I can see why this wasn't of significant concern to Acorn given its existing relationship with Mrs M. Although there were some late payments, Acorn has said these related to instances when payment fell due on bank holidays, rather than any reflection of Mrs M being in a stretched financial position. Mrs M had defaulted on borrowing with another provider a couple of years before, but her payment record with Acorn did indicate her ability to take on and meet her borrowing commitments. I note that the loan has been repaid.

I'm conscious that Mr A's concerns focus more on Mrs M's vulnerability than on affordability. But this is a relevant consideration and it's important to take into account whether there were any triggers or prompts from Mrs M's financial situation that might have led Acorn to make further enquiries. Noting her payment record and the modest increase to the monthly commitment – only a few pounds – I don't think there was any reason for Acorn to look further into Mrs M's wider financial position; for example, by requesting bank statements. So while it's possible that if it had done so, there might have been some indications of her gambling, my finding is that Acorn acted appropriately in the checks that it did do.

There is inevitably an element of hindsight in this type of case. I can quite understand, given what Mr A discovered about his grandmother's gambling habit and her dementia diagnosis, why he feels there must have been signs or indications in the way she presented herself in her dealings with Acorn. The FCA's fair treatment guidance does expect firms to ensure frontline staff have the necessary skills and capability to recognise and respond to a range of

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<sup>1</sup> See FCA publications FG21/1 Guidance for firms on the fair treatment of vulnerable customers and "Dear CEO" letter on Implementing the Consumer Duty in Credit Unions (1 March 2023)

characteristics of vulnerability. But that doesn't mean staff are expected to be able to diagnose conditions such as dementia.

Rather it says

*"Staff should be capable of recognising and responding to needs:*

- *Where the consumer has told the firm about a need*
- *Where there are clear indicators of vulnerability or*
- *Where there is relevant information noted on the consumer's file that indicates an additional need or vulnerability"*

I've not seen anything to suggest Mrs M or anyone else had told Acorn of her gambling addiction or her dementia at the time it approved her borrowing. The medical documentation Mr A has supplied is heavily redacted, and while it identifies Mrs M as a vulnerable adult with a dementia diagnosis, it hasn't been suggested that this was information known or that should have been known by Acorn at the material time.

I can't find that there were clear indicators of vulnerability that Acorn staff ought to have recognised in Mrs M. Acorn has said Mrs M didn't present any indications during its dealing with her, and while I don't doubt Mr A's sincerity in his belief, I can't fairly conclude that Acorn failed to act on any concerns it ought reasonably to have had from its interactions with his grandmother.

I have every sympathy with Mrs M in light of her situation. I am sorry to hear of her health condition and her gambling addiction, and I don't underestimate the challenges she and her family has and continues to face. However, I find that Acorn has acted fairly towards her in relation to the lending it provided. I don't consider there's a basis on which I can properly uphold Mr A's concerns about its actions.

If it comes as any small comfort, Mr A might be able to take heart from Acorn's assurances over the reinforcement of its procedures towards its potentially vulnerable customers that has been highlighted by the concerns he raised. It's often commented that a complaint should be seen as an opportunity to improve. While that doesn't necessarily mean Acorn's procedures were deficient, it can do no harm for the firm to review those processes and revisit training regularly, as it has indicated it intends to do.

### **My final decision**

My final decision is that I don't require Wiltshire and Swindon Credit Union Limited trading as Acorn Community Bank to take any further action in response to Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to tell us whether Mrs M wants to accept or reject my decision before 29 November 2024.

Niall Taylor  
**Ombudsman**