

## **The complaint**

Miss D complains about the way in which London Community Credit Union Limited (“LCCU”) administered her loan agreement. She says she’s been contacted by a debt collection company who have asked her to pay an amount which she doesn’t think is accurate.

## **What happened**

Miss D took out a loan with LCCU.

During the pandemic Miss D lost her job and experienced financial difficulties. She used her savings to repay some of the loan but didn’t hear anything from LCCU from August 2021 until January 2024, when she was contacted by a debt collection company who advised her that she owed £1670.79.

Miss D complained to LCCU in February 2024 because she thought the loan balance was incorrect. She never received a response from LCCU, so she brought her complaint to this service.

Our investigator upheld the complaint. He said that LCCU had failed to provide any evidence of how the figure of £1670.79 was reached, and how the debt came to be passed to a debt collection company. The investigator said he hadn’t seen any evidence that LCCU had communicated with Miss D about her loan balance between 2021 and 2024. The investigator concluded that LCCU hadn’t acted fairly and said it should buy back the loan if the debt had been sold, remove all charges which had been applied to the account since 17 July 2020, ensure that all payments made to the loan since 17 July 2020 had been correctly applied to the loan and put an affordable payment arrangement in place for Miss D.

LCCU responded and said it was working through the actions but the arrangement to pay was yet to be set up.

## **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.

LCCU didn’t respond to the request from this service to provide information, so I’ve had to base my decision on the information available. This is in line with the powers given to this service under DISP 3.5.9.

I can see that Miss D has two accounts with LCCU, a savings account and a loan account.

In 2020, during a period where she was experiencing some financial difficulties, Miss D transferred £1538.85 from her savings account to her loan account. Thus reduced the loan balance to £745.92.

Miss D has told this service that she then asked a credit counselling service to help her negotiate a repayment arrangement with LCCU. Miss D made payments crediting her loan account in July and August 2023. She’s told this service that she’s continued to make

payments to the loan via the credit counselling service, but she hasn't received any communication from LCCU since 2021.

Miss D says she hasn't heard anything from LCCU to indicate that her payments weren't being credited to her account or heard anything from LCCU to suggest that her account was at risk of being defaulted and passed to a debt recovery company.

Miss D was contacted by a debt recovery company in January 2024 who advised her that she was required to repay a loan balance of £1670.79. Miss D was shocked to hear that the balance was so high because it was around £1000 more than the balance when she had last made a payment to LCCU directly in 2020. Miss D was also concerned that despite making payments via the credit counselling service since then, the loan balance had increased.

Miss D raised a complaint with LCCU but didn't receive a response.

This service asked LCCU to provide information including a copy of the loan agreement, an up to date loan statement, information on the current status of the account, copies of any arrears notices and/or notices of default and accounts notes since January 2020 to date.

LCCU didn't respond with any of the information requested so as I've said above, I've based my findings on the available information. I've also had to make assumptions where there's a lack of information. In this respect, I've assumed that the loan balance has increased because of interest and charges applied by LCCU. But I can't be certain whether interest and charges has been applied fairly, because LCCU hasn't provided the terms and conditions of the account.

Similarly, I've assumed that charges have been applied to the account because the account was in arrears. However, I haven't seen any evidence that Miss D was in arrears, or that LCCU completed with the relevant regulations by sending a notice of sums in arrears or a notice of default.

Because of the lack of information to demonstrate that LCCU has acted fairly, I'm not persuaded that LCCU has acted fairly. I'm therefore in agreement with the investigator that LCCU need to take steps to put things right.

### **Putting things right**

To put things right, LCCU must:

Buy back the loan (if the debt has been sold)

Remove all fees and charges applied to the account since 17 July 2020

Give credit for all payments made to the account (either by Miss D directly or via the credit counselling service) since 17 July 2020

Amend Miss D's credit file by removing any arrears markers or defaults applied since 17 July 2020 and mark the loan as having been in an arrangement

Agree an affordable payment arrangement with Miss D

### **My final decision**

My final decision is that I uphold the complaint. London Community 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 Miss D to accept or reject my decision before 16 September 2024.

Emma Davy  
**Ombudsman**