

The complaint

Mrs O has complained that North Edinburgh and Castle Credit Union Limited (trading as Castle Community Bank) are holding her liable for a debt which was taken out as the result of a scam.

What happened

Mrs O fell victim to an investment scam. The scammer gathered her details and applied for a loan on her behalf to fund the fake investment. They took out £10,000 with Castle, using Mrs O's correct details. Emails were sent to Mrs O's genuine email address and the funds were paid to Mrs O's bank account. Mrs O discussed the loan with the scammer and they assured her that the investment's returns would let her pay it off before the cooling-off period ended. On the scammer's instructions, Mrs O paid the loan funds on. She later realised she'd been scammed.

Castle waived the loan's interest and fees but held Mrs O liable for the principal amount.

Our Investigator looked into things independently and found that Castle had already dealt with things fairly. Mrs O appealed, so the complaint's been passed to me to decide.

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 understand that Mrs O fell victim to a cruel scam, and so she has my sympathy. I know this cannot have been an easy thing for her to go through, not least given her wider health situation. I'm grateful to Mrs O for being open and candid with us about how the scammer affected her. It's worth keeping in mind that it's the scammer who is primarily responsible for what happened. But in this case between Mrs O and Castle, I can only consider what Mrs O and Castle are responsible for.

I can't see that Castle had sufficient reason to think it wasn't Mrs O applying for this loan. Her correct details were provided, the contact went to her genuine contact details, the funds were to be paid to her genuine bank account, a proper direct debit mandate was set up, the application passed all the checks, and nothing suspect was found in the application.

I appreciate that the scammer may have been the person who applied for and electronically signed for the loan, using details he'd gathered from Mrs O when opening a different account. But I think Mrs O ought reasonably to have been aware that this was a loan being taken out in her name which would need to be repaid. I say this because I can see she received the contact about the loan, which included details about what was being applied for and how it should be repaid. And according to her testimony and call recordings between her and her bank, she was aware of the loan being paid to her, she discussed the loan with the scammer, and she chose to pay the loan funds on, believing she could repay the loan later using the investment's returns.

So even if I accept that Mrs O might not have physically submitted the loan application herself, I find she ought reasonably to have been aware that this was a loan being taken out in her name which would need to be repaid. And there's no dispute that she then transferred the money away.

I can't fairly hold Castle responsible for that, and I can't reasonably tell them to write off the principal amount of the loan in these circumstances. I find it's fair that Castle agreed to waive all the loan's interest and fees, given that this loan was taken out as the result of a scam and Mrs O did not end up benefitting from the funds. Mrs O suggested that Castle should take some responsibility, but I think that them writing off all the interest and fees was responsible.

Mrs O also explained that the loan was unaffordable for her. But even if I accept that's the case, the solution is the same – for Castle to waive the interest and fees and only ask Mrs O to repay the loan's principal. And they've already done that here. Castle have explained that they're happy to take account of Mrs O's circumstances, and to arrange a repayment plan tailored to what she can actually afford, which is what they should be doing. I've not found a fair basis on which to tell them to do anything more.

So while I'm very sorry to hear about what the scammer did to Mrs O, I've not found that Castle need to do anything more than what they've already agreed to do. This is a difficult message for me to give, and I know it's a difficult message for Mrs O to receive. But given the circumstances at hand, I'm unable to reasonably reach any other conclusion.

My final decision

For the reasons I've explained, I don't uphold Mrs O's complaint in this particular case.

This final decision marks the end of our service's consideration of the case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 5 February 2025.

Adam Charles
Ombudsman