

## **The complaint**

Miss C is complaining about the way Wolverhampton City Credit Union Limited (WCCU) treated her when she was struggling to make repayments on her loan.

## **What happened**

In October 2018, Miss C took out a loan of around £8,280 with WCCU. The majority of this was refinancing an existing loan with WCCU. The new loan term was 4.5 years and Miss C was required to pay £200 per month for 53 months. The interest rate was fixed at 12% per year. A guarantor, Ms M, was also named on the loan agreement.

After a change in circumstances, Miss C was struggling financially. She sought an Individual Voluntary Arrangement (IVA) but WCCU rejected this as Ms M had agreed to pay the loan if Miss C could not. WCCU did accept Miss C's offer in March 2019 to pay £100 per month.

In May 2022, Miss C queried why her loan payments were mostly going to interest and not capital. WCCU explained that this was because she was paying significantly less than she ought to be. They froze the interest for six months to help Miss C and she said she hoped to be able to increase her repayments after six months.

In May 2023, Miss C discussed increasing her payments to £150 per month but didn't do so. And in September 2023, WCCU asked her if she was now able to pay £200 per month. Miss C didn't respond to WCCU's attempts to contact her and didn't get in touch again until May 2024, when she asked for an appointment to talk through what could be done to get the loan sorted. In June 2024, Miss C met with WCCU and they restructured the loan, changing the contractual repayments to £150 per month. By this time the balance was just under £5,000 and the loan was to be repaid over 41 months, again with a fixed interest rate of 12% per year.

Miss C was grateful for this but complained to WCCU that the restructuring hadn't been done earlier. She also asked if WCCU could do anything retrospectively to reduce how much interest she'd paid on the loan. WCCU said they couldn't have rescheduled the loan to £100 per month as it would have taken it outside the maximum term of the loan. And they said although Miss C had said she would increase her payments to £150 per month in May 2023, this hadn't happened until July 2024.

Unhappy with WCCU's response, Miss C brought her complaint to our service. She said the loan had had a significant impact on her finances and consequently her wellbeing. She felt that although the loan was supposed to be a low-interest product for people who were struggling, this didn't seem to have been the case.

One of our investigators looked into Miss C's complaint but didn't uphold it. He said, in summary, that he thought WCCU had charged interest correctly, and that he thought they'd acted sympathetically in response to Miss C's financial difficulties. He added that even if WCCU had restructured the loan sooner, this likely wouldn't have helped Miss C's situation.

Miss C wasn't happy with our investigator's view. She said the steps WCCU had taken to help were only after she'd expressed concerns – WCCU hadn't initiated these. She questioned how interest can fluctuate significantly from one month to the next if it's calculated on a consistent basis. And she thought WCCU should have proactively contacted her about restructuring the loan at the point that a restructured loan would have fallen within the maximum term of five years. Finally, Miss C was concerned that the amount of interest she'd pay in total on the loan would exceed the capital on the loan, which, she felt, went against what WCCU stand for.

### **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.

Having done so, and recognising it'll be disappointing for Miss C, I'm not upholding her complaint. This is for broadly the same reasons as our investigator, but I'll explain further below.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. I've also considered how WCCU describe themselves and their responsibilities on their website.

When customers have problems with repaying amounts owed, there are various steps a business can take to try to recover the money they've lent. This can include taking a customer to court, or contacting a guarantor on a loan. WCCU explain this on their website. But they also say on their website that they provide fair financial services. So I'd expect them to treat customers fairly when they're in financial difficulties.

Miss C told WCCU she was facing financial difficulties in early 2019. I don't think it was unreasonable for WCCU to reject the IVA application, because Miss C had a guarantor. I can appreciate Miss C may not have wanted to call on her guarantor, but that doesn't mean that WCCU needed to accept the IVA. Credit Unions have a duty to their members, and that includes protecting their savings. Accepting the IVA would have meant a lower return for WCCU's other members.

I've seen no evidence WCCU contacted Miss C about her loan between March 2019, after accepting Miss C's proposal to pay £100 per month, and May 2022, when Miss C questioned the interest amounts. I do think WCCU could have done more during this period, for example encouraging Miss C to increase her repayments and explaining the consequences of not doing so. But I'm not persuaded it would have made any difference to what's happened here – when WCCU did explain this and suggest Miss C increase her repayments, she wasn't able to do so. So it's unlikely that she would have been able to increase her repayments if WCCU had explained things sooner.

WCCU didn't charge any interest on Miss C's loan from May 2022 to November 2022. This was a positive step to take to help Miss C reduce her balance more quickly. But I can't say WCCU should have extended this interest-free period – they have the right to charge interest under the terms of the agreement. Miss C had told WCCU that she expected to increase her payments to £150 per month after six months, so it was reasonable for WCCU to reinstate the interest charges at that point.

I haven't seen any evidence that WCCU attempted to contact Miss C between November 2022 and May 2023 to encourage her to increase her payments in line with her

expectations. But, again, I'm not persuaded it would have made any difference. That's because when WCCU did later contact her about increasing her payments, Miss C didn't reply or increase them. She told us that she'd received the forms but wasn't able to increase her payments.

There was some limited contact between Miss C and WCCU between May 2023 and May 2024. WCCU asked Miss C to increase her payments, and to complete an income and expenditure form to see what would be affordable. They didn't receive much in the way of response. I don't think WCCU contacted Miss C excessively or put pressure on her to pay more than she could during this period.

Once Miss M asked for an appointment in May 2024, WCCU arranged this for within two weeks. It was during this appointment that the loan was restructured.

Looking at the whole period from the beginning of 2019 to mid-2024 then, I do think WCCU could have been more proactive in contacting Miss C. But I don't think this would have made any difference to the current balance of the loan as it seems clear Miss C wasn't in a position to pay any more than she did. WCCU treated Miss C with forbearance, allowing her to pay half of the intended payment for a long period of time, and allowing her six months <sup>interestfree</sup>. So I'm satisfied they've acted fairly in this respect.

Miss C's also concerned about the interest WCCU have charged. The terms of Miss C's agreement with WCCU allowed them to charge interest at 12% per year on the balance of the loan. From what I've seen, I don't think WCCU have exceeded that. I appreciate it's confusing as the interest charge fluctuates each month. Each day, in the background, interest is calculated at the fixed rate on the balance of the loan. The daily interest charge will reduce over time as the balance on the loan reduces over time. The interest charge only shows on the statement on the dates payments are made. Sometimes these are 31 days apart, sometimes more, sometimes less. And this means the interest charge shown on the statement can vary significantly – it'll be much higher when the gap between payments is 32 days, for example, than when it's 24 days. I hope this helps to explain. I am satisfied WCCU have charged interest in line with the terms of the agreement.

The main crux of Miss C's complaint is that WCCU didn't restructure her agreement earlier. But the restructuring doesn't make any difference to the amount of interest Miss C will pay – what makes a difference is the amount of her repayments. With higher repayments, Miss C's balance reduces more quickly. And as interest is calculated daily on the outstanding balance, the interest charges reduce as a result. If Miss C had increased her payments to £150 when she thought she'd be able to, or when WCCU had prompted her to, this would have had the same effect as restructuring the loan. All the restructure adds is more clarity for Miss C as to when the loan will end, and a contractual obligation to pay £150 per month instead of £200 per month. I can't say WCCU should have proactively arranged to restructure the loan earlier – it doesn't seem that Miss C could afford to pay more than £100 per month. And, as WCCU explained, they couldn't have restructured it to £100 per month because it would have taken the term of the loan over their maximum allowed of five years.

Finally, Miss C's said WCCU haven't added any interest to her balance since she brought her complaint to our service, but they haven't communicated with her about this, so she doesn't know why they haven't charged interest. I asked WCCU about this and they said the interest has been deemed irrecoverable and they won't be charging Miss C any more interest on the loan.

So, in summary, I'm satisfied WCCU have treated Miss C with forbearance in accepting much lower payments than she was supposed to make for an extended period. They

previously allowed her a six-month interest-free period and have confirmed that there won't be any further interest on the loan from July 2024 onwards. Whilst they could have been more proactive at times, I'm not persuaded this would have made any difference to Miss C's current position with the loan. So I don't think WCCU need to do anything more.

### **My final decision**

As I've explained above, I'm not upholding Miss C's complaint about WCCU No. 1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 22 July 2025.

Clare King  
**Ombudsman**