

The complaint

Ms B complains Brent Shrine Credit Union Limited trading as My Community Bank (My Community Bank) loaded her to a fraud database because of a misunderstanding with her employment status.

What happened

Ms B applied for a loan with My Community Bank on 7 December 2023 and said she was employed full time. The loan was granted, but Ms B failed to make her repayments.

In May 2024 My Community Bank loaded Ms B's details to a fraud database because it thought she'd given one or more material falsehoods on her loan application.

Ms B complained to My Community Bank, explaining she'd assumed her employment would be extended but wasn't. Ms B felt this was an innocent misunderstanding around her employment status at the time of the application, and the fraud database loading was unfair.

My Community Bank responded to say Ms B told it she was in full time employment, but she wasn't. My Community Bank was confident its fraud database loading was correct and it wouldn't be removing it.

Unhappy with this response, Ms B brought her complaint to this service. An investigator looked into things but didn't think Ms B's complaint should be upheld. The investigator said Ms B's P45 tax certificate showed her employment ended on 12 November 2023.

This end to Ms B's employment was before her application for the loan, so the investigator thought Ms B wasn't employed at the time of the loan application. Since this was a material falsehood, My Community Bank had enough information to load the fraud marker.

The investigator accepted Ms B's comments about a possible extension of her employment, but still felt My Community Bank had acted fairly in loading the fraud marker.

Ms B didn't accept this outcome and said she hadn't intentionally misrepresented her employment. Ms B said other people had been let go from her employer, but not her, so she thought her employment was secure.

Ms B also said she'd spoken to her manager and been assured her contract would be extended. Ms B said she'd told My Community Bank she was employed full time in good faith and this didn't meet the requirement for deliberate complicity.

Ms B said she was under the reasonable assumption her employment was full time, and the effect of the fraud database loading was extensive, stopping her from further employment.

Ms B said she'd tried to sort out repayment plans with My Community Bank so there was no fraudulent intent not to repay her loan. Ms B said My Community Bank also failed to follow the correct process before loading, stopping her explaining things prior to being loaded.

Ms B then responded further and said My Community Bank had an obligation to check credit worthiness of people looking to borrow. Ms B felt if My Community Bank had done this, she would have had access to emails about her extension of employment.

Ms B could then have shown there was no deliberate attempt to fraudulently apply for a loan.

Ms B asked for an ombudsman to decide things, and either tell My Community Bank to remove the fraud database loading or reduce its duration.

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.

There's little dispute Ms B applied for a loan with My Community Bank, in December 2023 and said she was employed full time. The question on the loan application, about employment, is clear, it asks for employment status and the name of the employer.

Ms B says she was under the impression her employment would be extended, so it was an innocent misrepresentation to My Community Bank.

But I've read Ms B's messages to My Community Bank, and she says she was laid off in November 2023. Ms B's P45 also says she left her employment on 12 November 2023.

Ms B also told this service, in her complaint form, she applied for the loan with My Community Bank as a precaution, in case her contract didn't renew.

I don't think Ms B was employed at the time she applied for the loan with My Community Bank, but she told it she was, in response to a clear and unambiguous question.

Ms B says she was under the impression her contract would be extended and had spoken to her manager about it. Whilst I accept this is true, Ms B wasn't employed on 7 December 2023, but she told My Community Bank she was.

For My Community Bank to fairly load a fraud marker, it needs to prove Ms B gave one or more material falsehoods, or lies, when she applied for the loan.

Regardless of Ms B's assumptions about her employment, or the previous discussions she'd had, I think she lied when she told My Community Bank she was employed full time.

Had Ms B told My Community Bank she wasn't employed at the time of the application, I don't think My Community Bank would have lent to her. I think Ms B lied in order to be accepted for the loan, and I think this is a deliberate attempt to defraud My Community Bank.

Ms B says My Community Bank should have contacted her prior to the loading, so she could explain her situation and provide emails from her manager. But I don't think My Community Bank contacting Ms B would have made a difference.

Any emails from Ms B's manager wouldn't have proved she was employed at the point of the loan application. The emails might have shown Ms B may have had discussions about her employment, but this isn't the same as being employed at the point of the loan application.

Ms B says My Community Bank should have carried out more due diligence before lending to her. Ms B says she sent My Community Bank a copy of her November 2023 payslip to support her loan application.

But Ms B also says she knew this was her last payslip. I think Ms B supplied this payslip knowing this was a misrepresentation of her lack of ongoing employment.

I think My Community Bank carried out sufficient checks, it asked Ms B if she was employed and got a copy of her most recent payslip. At the point of the application My Community Bank couldn't know Ms B wasn't employed, and in any event Ms B had said she was.

I think My Community Bank was entitled to assume Ms B had been honest in her loan application. I don't think I can fairly hold My Community Bank responsible for Ms B's dishonesty around her employment status.

Ms B also says she's been open and honest with My Community Bank about her ability to repay and has entered into payment plans. I accept Ms B has contacted My Community Bank on several occasions around how to agree a repayment plan.

But these repayment plans don't change Ms B's initial application and the lies she told in it.

I acknowledge a fraud marker will have a very severe impact on Ms B, so I've thought very carefully about whether My Community Bank has acted fairly in loading one.

And having done this, I think My Community Bank has acted fairly. Ms B gave one or more material falsehoods to My Community Bank when she applied for the loan. These material falsehoods meant My Community Bank agreed a loan when it otherwise wouldn't have.

And since I believe Ms B knew she wasn't employed at the point of application, but said she was, and even considering her discussions with her manager, I can't say My Community Bank has acted unfairly in loading Ms B to a fraud database.

Because of this I won't be asking My Community Bank to remove, or amend, the loading.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 22 April 2025.

Chris Russ
Ombudsman