DRN-5737728

The complaint

Mr J is complaining about the way Pentecostal Credit Union Limited trading as The Pentecostal Community Bank (PCB) treated him when he struggled to make repayments on his loan.

What happened

PCB approved a loan to Mr J in December 2021. He wasn't able to keep up with the repayments on the loan and PCB initiated legal proceedings. A County Court Judgment (CCJ) was issued against Mr J in May 2024. PCB decided not to enforce the CCJ immediately and allowed Mr J more time to sort out the arrears. But this was unsuccessful and the CCJ was passed back to the court for enforcement in November 2024.

Mr J complained to PCB. In summary, he wasn't happy with how his arrears had been managed by PCB and he was unhappy with the way an individual representing PCB had treated him.

PCB responded to Mr J's complaint. In summary, they said:

- Mr J had started to fall into arrears in late 2022 and early 2023 and PCB had followed their arrears policy by contacting him using various different communication methods.
- They'd offered Mr J a three-month payment holiday in early 2024 if he completed an income and expenditure form. But Mr J didn't complete this, and didn't pay, so a default notice was issued.
- Correspondence continued between the parties and Mr J had plenty of notice of the possibility of legal proceedings.
- They'd tried hard to support Mr J and taking the matter to court had been a last resort.
- They'd found no evidence to support the allegations Mr J had made against the individual.

Mr J remained unhappy so brought his complaint to our service. When he did so, he highlighted that he was a vulnerable consumer suffering with poor mental health, which he said he'd disclosed to PCB in writing in May 2024. One of our investigators looked into Mr J's complaint. She explained to him that there were aspects of the complaint that we wouldn't consider because of the CCJ. Mr J accepted this and said he wanted our service to consider the following complaint points:

- PCB had pursued a CCJ against him despite his vulnerability.
- Every time he contacted PCB about the debt, they escalated it to the next stage without giving him adequate time to reply.
- PCB could have done more to help when he got into arrears, for example advising that he could have used his savings to pay his arrears.

Our investigator considered these points but, having reviewed PCB's notes and correspondence in detail, concluded that PCB hadn't done anything wrong. Mr J replied in detail. In summary, he said:

- PCB hadn't recorded phone calls as they're required to do by Financial Conduct Authority (FCA) regulations.
- PCB hadn't complied with FCA regulation in relation to his mental health conditions and vulnerability.
- The lack of recorded calls allows bias as there's an absence of evidence.
- PCB's failure to suggest using his savings account to resolve his arrears was a breach of their duty to vulnerable customers. He had forgotten about these savings and needed proactive support from PCB. If they'd suggested using his savings, this would have prevented the entire CCJ process, associated financial costs and the associated impact on his mental health.
- PCB had escalated the arrears to legal proceedings as soon as he said he was speaking to a charity about a debt management plan.
- PCB didn't adjust their arrears collection procedures to take into account his vulnerability.

Our investigator issued a second view but still didn't uphold Mr J's complaint. In response, Mr J reiterated his request for an ombudsman to look at the matter and said PCB hadn't complied with regulatory requirements. The complaint has now come to me for a decision.

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, I'm not upholding Mr J's complaint for broadly the same reasons as our investigator. I appreciate this will be disappointing for Mr J but I'll explain further below.

Lack of call recordings

There's no general requirement for a credit union, as PCB is, to record all phone calls. PCB's policy is not to record calls. The FCA doesn't require that they record phone calls about loans and arrears management, so I can't say PCB should have recorded their calls with Mr J. In considering the rest of Mr J's complaint, I have taken into account his testimony as well as PCB's notes. Apart from Mr J's complaint about the manner of a particular individual, I don't consider the exact content of the calls would have had any bearing on the outcome of the complaint.

Treatment by an individual

Having reviewed the correspondence, and acknowledging that I haven't been able to listen to the phone calls, I haven't seen anything to support Mr J's allegation that he was mistreated by an individual at PCB. I appreciate Mr J feels strongly about this but the emails I've seen are polite and respectful, and I haven't seen any emails from the time in which Mr J expressed any concerns about how he was being treated by the individual in question.

Handling of arrears and escalation to legal proceedings

I've looked in detail at Mr J's account history and the notes of correspondence between him and PCB. In early 2023, Mr J told PCB he had some short-term financial difficulties. He said he'd make a payment by the end of March 2023. When he didn't, PCB issued a default notice, letting him know the account was two months in arrears and that he needed to get in touch immediately to discuss repayment. The default notice warned Mr J that if they didn't hear from him within 30 days they may transfer any available savings to the loan account, and the account would be passed to their lawyers.

Mr J was able to make up the arrears and the account wasn't defaulted. PCB explained why the default notice had been issued, but it's clear from the correspondence that Mr J was unhappy. His view was that he'd explained he was in financial difficulties to PCB, whereas PCB's view was that Mr J had promised certain payments and then not made them. On balance I don't think PCB acted unfairly in issuing the default notice in April 2023.

PCB wrote to Mr J about his arrears again in July 2023 and they agreed a plan for him to make these up. Mr J then asked for breathing space at the end of August 2023 – he explained that he'd been unwell and had some unexpected expenses. He said he'd be in touch again within a week. But he wasn't, and two weeks later, on 14 September 2023, PCB sent Mr J a pre-action default notice. In response, Mr J proposed a second plan to make up the arrears. PCB accepted the proposal but noted that Mr J hadn't kept to his previous proposal and the account was three months in arrears. They said they'd take further action without notice if Mr J breached this latest proposal – in line with the default notice they'd sent.

Mr J then fell into arrears again when he missed his December 2023 payment. PCB followed this up with a phone call and Mr J agreed to pay by the end of January. But he didn't make his January 2024 payment, so PCB called him in February 2024. PCB's notes say that Mr J said he'd make payment by the end of the month. And they say that PCB offered Mr J options such as a loan repayment holiday, interest-only payments, or rescheduling the loan, but Mr J said on the phone that he didn't need these.

A week later, Mr J wrote to PCB asking for breathing space. He said he wanted to resume normal payments in April. PCB replied within a few days, informing Mr J that his account was now two months in arrears (including February). They gave him two options – the first would be a three-month payment holiday meaning that his payments would resume as normal in April, but he'd have to complete an income and expenditure form and submit a recent bank statement. The second option was that Mr J paid the interest only for February 2024 and March 2024, totalling £75, and then resumed normal payments in April – he wouldn't need to submit any documentation for this.

Mr J replied and said he would fill in the form and then call PCB. I've seen no evidence that he did this, so I don't think it was unreasonable for PCB to issue a second default notice, on 7 March 2024. This letter explained that legal action would be considered if PCB didn't hear from Mr J within 14 days. When Mr J didn't reply, this was followed by a pre-action default notice dated 21 March 2024 which told Mr J that PCB would begin legal action. It said that if the full arrears of £651 were paid within seven days, they wouldn't start legal proceedings. At this stage, Mr J's account was three months in arrears, and they hadn't heard from him for nearly three weeks, so I can't say PCB shouldn't have defaulted the account or begun legal proceedings. I'm satisfied it was reasonable for them to take these steps given the history of the account.

PCB's legal claim was issued on 2 April 2024 and deemed to have been served on 7 April 2024. Mr J spoke with PCB the next day, proposing to pay £100 per month towards his arrears, in addition to his normal monthly payments. This suggested he'd received the legal claim. PCB suspended any further legal action. But Mr J didn't pay anything in April 2024, contrary to what he'd proposed. He also didn't respond to the legal claim served by the county court. So on 8 May 2024 PCB proceeded with a request for a CCJ against Mr J. I can't say this was unreasonable – by this point, Mr J had a history of not making the payments he'd proposed, and he hadn't paid anything at all for over three months or provided any explanation for the latest missed payments.

The timing was unfortunate as Mr J emailed PCB to let them know he was entering into a debt management plan (DMP) on 22 May 2024, by which time the CCJ was already in progress at the courts – the judgment was entered on 29 May 2024. In response to Mr J's email, PCB decided not to enforce the CCJ straight away. I'm satisfied this was a fair response to receiving Mr J's email. PCB received no correspondence in relation to the DMP and no payments from Mr J during June 2024. They spoke to Mr J in July 2024 and said they'd enforce the CCJ if they didn't receive any payments from Mr J by the end of the month. Mr J paid his monthly instalment and an additional £50 by the end of July, August, and September 2024 but then made no payment in October 2024.

PCB attempted to contact Mr J on 1 November and 2 November by phone, text message, and email, but received no response, so they passed collection of the CCJ to the County Court on 6 November 2024. I acknowledge that this didn't give Mr J much time to reply to PCB's 2 November 2024 email, but I can't say it was unreasonable even taking into account Mr J's vulnerabilities – Mr J remained in arrears and had continued his pattern of sporadic payments and communication. Mr J replied on 7 November 2024 saying he would make the October payment on 20 November and asking that going forward he'd be contacted by email only. By this point, though, the debt had already been passed to the County Court for collection, effectively ending the contractual relationship between PCB and Mr J. As our investigator explained, I'm unable to look into the actions taken by the enforcement officers.

Non-compliance with FCA regulations in relation to vulnerable customers

Part of Mr J's complaint is that PCB didn't comply with FCA regulations in relation to vulnerable customers. He said they failed to recognise or record his vulnerability, failed to respond to it, and failed to monitor their treatment of him as a vulnerable customer.

I've seen no evidence of this. PCB have shared their policy in relation to vulnerable customers, and it appears they've behaved in line with it. They've told us they noted that Mr J was potentially a vulnerable customer in February 2024 and that directly prompted their offer of a payment holiday and the options given around that.

Whilst Mr J says he told PCB about his health, and alleges they didn't record it, I'm satisfied that this allegation doesn't have any bearing on this complaint, the crux of which is that PCB took legal action against Mr J. Having reviewed the correspondence between the two parties, I'm satisfied that the actions PCB took didn't contravene their policy on vulnerable customers. I'd also note that the applicability of the FCA's Principles is limited here, because the loan agreement, as with most credit union loans, was an exempt agreement and therefore lending and collecting debts under the agreement was not a regulated activity.

Use of savings account to settle arrears

Part of Mr J's complaint is that PCB didn't suggest he use his savings to settle his arrears. But I can't say they should have done. The default notices PCB sent Mr J referred to using his savings to cover at least the interest on the loan. And they referred to protecting other members' savings. Mr J responded to these default notices by looking for other ways to make the repayments. He didn't ask about using his own savings, and PCB didn't suggest this to him.

Throughout most of the contact between Mr J and PCB, Mr J was making proposals for how he would make payments. He gave the impression these were thoughtfully made and would be affordable for him. I don't think it would have been apparent to PCB that his financial difficulties were anything other than short-term until he said he was going to enter into a DMP. And at that stage, it would have been reasonable for PCB to expect that the debt charity would advise Mr J on the best way forward.

Mr J has quoted guidance from the FCA's Consumer Credit sourcebook, CONC. But this loan agreement, like most credit union loans, was an exempt agreement, and as such, CONC doesn't apply.

Conclusion

In summary, Mr J's initial complaint to us focussed on the enforcement actions taken after the CCJ was passed to the court. Those actions were not taken by PCB and so, as our investigator explained, I can't look into them as part of this complaint.

Mr J also complained that PCB didn't treat him with appropriate forbearance and due consideration, particularly considering his vulnerability. As I've explained above, Mr J had a long history of arrears with PCB, starting in August 2022. For over two years, PCB allowed Mr J to make late payments, propose payment plans, and miss payments. Although they started legal proceedings in March 2024, they didn't pass the debt for enforcement until November 2024. Taking everything together, I'm satisfied PCB treated Mr J fairly and reasonably in the circumstances.

My final decision

As I've explained above, I'm not upholding Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 2 October 2025.

Clare King
Ombudsman