

The complaint

Mr R complains about North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank's (CCB) administration of his fixed-sum loan.

What happened

In September 2023, Mr R took out a fixed-sum loan for £2,000 with CCB. The agreement required him to make 23 monthly repayments of £117.84 starting between 20 and 60 days of the loan being provided, before making a final repayment to clear the balance the following month.

Mr R fell into arrears on the agreement from the outset, after making his first repayment late.

In July 2024, due to outstanding arrears, CCB sent Mr R a notice of default. After Mr R let CCB know he was struggling financially, they asked him to provide details of his income and expenditure, but this wasn't something he wanted to provide. Mr R did ask for a call-back the following day, however CCB failed to contact him.

In February 2025, CCB sent Mr R a formal demand to pay the balance of the loan. Mr R let CCB know they could contact him if they wanted to understand why he was in arrears, but after this there was no further contact and his direct debit payment was suspended, meaning payments for March and April 2025 weren't paid.

Mr R complained to CCB in April 2025, unhappy they'd suspended his payments without notifying him, that they'd sent him a formal demand without contacting him and that they'd failed to call him back in July 2024. He didn't think he should have to make extra repayments to clear arrears he considered to have accrued because of CCB's errors. CCB reinstated the direct debit and placed a hold on Mr R's account whilst they investigated his complaint.

Around two weeks later, Mr R contacted CCB again unhappy that, despite the hold being placed on his account, he'd been contacted by a third-party debt collection company they'd passed his account to.

In June 2025, CCB sent Mr R their final response partially upholding his complaint. They acknowledged the communication he'd received could've been better, said he should've received a call back and that they could have been more pro-active in ensuring he was aware of the arrears on his account. To put things right CCB offered Mr R £25, credited to his account to reduce the arrears.

But CCB also said Mr R had confirmed he was monitoring the account online and was aware payments weren't being taken. They said the formal demand issued in February 2025 stated an external debt recovery agency would now be dealing with the account and this was the reason for the payments being suspended. CCB apologised this wasn't made clearer to him.

Mr R remained unhappy so referred his complaint to our service. One of our investigators looked into things and said she agreed with CCB's acknowledgement that they ought to have done more to support Mr R. However, she said on balance, she thought even if they

had done more, it was likely his account would still have defaulted.

But our Investigator said CCB ought to have applied the default much sooner and because of this, they should amend the date the default was registered. She also said CCB should pay Mr R £150 to reflect the distress and inconvenience their actions had caused.

CCB accepted our Investigator's opinion. But Mr R didn't, saying he thought it would be fair for CCB to remove the missed payments recorded against his credit file and said CCB had since failed to take payment again, so he was concerned the direct debit issue hadn't been fixed.

Mr R also said he didn't think £150 was enough to reflect the issues CCB had caused him. Finally, he said while trying to resolve the latest payment issue, CCB's advisor had repeatedly hung up on him.

Our Investigator let Mr R know CCB had explained despite him making regular payments, because his account had remained in arrears for some time, each repayment satisfied the oldest instalment due. Because CCB were reporting Mr R's account status correctly, she didn't think they needed to do anything here. She also said should Mr R feel he has received further poor service from CCB, as this had recently happened, he would need to raise this with them as a new complaint.

Mr R remained of the opinion £150 wasn't fair compensation saying CCB had made zero effort to resolve the issue and had made no attempt to contact him, instead just letting his debt build up.

As Mr R disagreed with our Investigator's view, this complaint has 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.

Having done so, I'm upholding this complaint. That said, while I know it will come as a disappointment to Mr R, I'm satisfied what our Investigator suggested CCB need to do to put things right is fair. I'll explain why.

Firstly, I'm aware Mr R raised his concern the direct debit suspension issue remained unresolved, with his payment being cancelled again in early September 2025, after our Investigator had shared her view.

While this is something our Investigator explained CCB would need the opportunity to look into directly, should Mr R so wish, I asked them to confirm the status of his account as part of my investigation. CCB have confirmed Mr R settled the agreement in October 2025. So, while I'm not dismissing Mr R experienced further frustration, as the agreement has now ended, it follows the payment issue can no longer occur.

With regard to the service Mr R received prior to raising his complaint, it isn't in dispute CCB's communication throughout Mr R's agreement could've been better. They've acknowledged that, aside from the notice of default and formal demand, there has been a lack of communication from them regarding Mr R's arrears and a failure to respond to his calls and emails.

But I've also considered Mr R's request for CCB to remove the missed payments recorded

against his credit file. CCB has explained that Mr R fell into arrears on his agreement from the outset. They've said despite bringing the account in to order around February 2024, he fell into arrears again shortly after.

So, despite making regular payments after that, Mr R wasn't clearing the arrears which led to CCB issuing a default notice in July 2024. Because of this, I'm satisfied CCB were fair to report the account to that effect.

After receiving the default notice, Mr R contacted CCB to let them know he was out of work and was behind with his priority bills. While on this call, Mr R asked for a call-back the following day which CCB failed to complete, CCB had asked him to complete an income and expenditure form to consider how best they could support him. Mr R didn't want to do this, instead asking to make a payment of £40 towards the agreement. He was advised this wouldn't form part of a plan but despite a way to proceed longer term not having been agreed, following that call, there was no contact until February 2025 when the formal demand was sent out.

So having considered everything as a whole, I'm not persuaded Mr R would've avoided the account going into default even if a call back had been completed. I say this because I've seen nothing to suggest he tried to contact them further, or that he tried to make or was in a position to make additional payments to clear the arrears that had accrued.

But because Mr R took no action to clear the arrears, I do agree CCB ought to have acted sooner – rather than waiting until February 2025 to issue a formal demand. So, I think it's fair for them to amend the default date to reflect it being registered 15 days after the default notice was sent, which in any case, CCB have agreed to do.

But none the less, I've no doubt this caused Mr R frustration, distress and inconvenience. I can see he contacted them after receiving the formal demand, clearly frustrated with the lack of contact prior to this but this didn't prompt them to contact him. CCB also failed to tell Mr R his account had already been passed to a third-party debt collection company when he initially called in April 2025. This led to him receiving unexpected contact from the third-party shortly after and I think this could've been avoided had CCB's communication have been better.

It follows I think Mr R ought to be compensated for the poor service he received. And I'm satisfied £150 fairly compensates him for the impact that service had. Following their final response letter in June 2025, CCB said £25 compensation would be credited to Mr R's loan account.

So, I uphold this complaint, and I think CCB should pay Mr R an additional £125, bringing the total amount of compensation to £150.

Putting things right

For the reasons I've explained above, to settle Mr R's complaint CCB should do the following:

- Amend the date of default to reflect it having been registered against Mr R 15 days after the July 2024 notice of default was issued, and
- pay Mr R a further £125 for distress and inconvenience.

If CCB haven't already paid the initial £25 to Mr R or previously credited it to his loan account, they should ensure a total of £150 is paid to him.

My final decision

My final decision is that I uphold Mr R's complaint and instruct North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank to settle the complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 December 2025.

Sean Pyke-Milne
Ombudsman