

The complaint

Mr R complains about London Capital Credit Union Limited's (LCCU) decision to decline his loan application, after already having told him it'd been approved.

What happened

In May 2025, Mr R applied for a loan from LCCU. He says he was told on multiple occasions his application had been approved, only then to be told it had been declined due to an issue with his identification documents. Unhappy, Mr R complained to LCCU.

LCCU didn't uphold Mr R's complaint saying upon approval of the loan, they'd explicitly requested documentation verifying Mr R's full legal name and as the evidence he'd provided didn't meet their requirements, they were unable to proceed in disbursing the funds.

Mr R remained unhappy, so referred his complaint to our service. He said he'd submitted multiple legal documents which consistently showed his name and LCCU's actions had left him in a desperate financial position, had damaged his credit score and had affected his health.

One of our investigators looked into things and upheld Mr R's complaint. She said, having seen the identification evidence he'd provided, she thought it was unreasonable of LCCU to expect him to provide more. She also said LCCU had created an expectation by telling Mr R his application had been approved, without having told him release of the funds was subject to further sign-off.

Our Investigator said LCCU should pay Mr R £200 to compensate him for the considerable distress and inconvenience they'd caused, but that regardless of her upholding the complaint, it wasn't within her remit to tell LCCU they had to lend to him.

Mr R disagreed £200 was sufficient compensation, saying he considered between £3,000 to £5,000 to be a fairer amount to reflect the serious distress, inconvenience and financial hardship he'd suffered over a four-month period. Mr R also said LCCU should reassess his application based on the identification he'd already provided, if not for the full amount, for a smaller sum.

Our Investigator said having considered that the purpose of the loan was for debt consolidation, she didn't think any false expectation LCCU's communication might have given Mr R, had led to creating his financial hardship. This was because Mr R was already experiencing financial pressure prior to making his loan application with LCCU.

Our Investigator also said LCCU advised Mr R his application had been declined within 48 hours of him initially being told it had been approved, so she remained of the opinion £200 compensation was fair.

As Mr R remained unhappy with our Investigator's opinion, 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, while I know it will come as a disappointment to Mr R, while I'm upholding this complaint, I don't think LCCU need to do more than what our Investigator set out they should do. I'll explain why.

But first, I'm aware I've summarised Mr R's concerns in less detail than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to repeat or comment on every detail here, to be able to reach what I think is the right outcome that's reasonable in the circumstances of this complaint.

Our Investigator's already explained to Mr R that it's not within the remit of our service to tell a business they must lend money to someone. I agree, so I'm not going to discuss their lending decision here again in any detail.

While the identification documents Mr R's provided in support of his application may appear to be in line with what LCCU generally require, LCCU remain dissatisfied with those documents after having reviewed them against Mr R's application and ultimately made a business decision to decline the loan based on what they'd received up to that point.

Mr R applied to LCCU for the loan with the intention of consolidating other debt. He was told the loan was approved and having thought he was going to be put in a much better position financially, I can understand his frustration to then find out the loan had been declined.

Following Mr R being told the loan had been approved, it appears he was simply told he would need to authorise the direct debit, sign the loan agreement to accept the offer, complete a bank form and create a password prior to the funds being transferred.

LCCU say following the approval of Mr R's application, the release of the funds he applied for were always subject to further sign off. But I've not seen anything to persuade me Mr R was told this was the case. So, while I can't say LCCU weren't entitled to complete further checks, I think their communication needed to have been clearer so that Mr R knew that.

I've next thought carefully about the impact Mr R says LCCU's lending decision and poor communication has had on him. I'm sorry to hear the financial difficulties Mr R says he is going through. That said, having thought solely about the impact of LCCU's actions, I think £200 is fair and reasonable to put things right here.

After Mr R was first told his loan had been approved, I've seen evidence to suggest he expressed concern to LCCU later that same day, that his application had then been placed on hold due to an issue with his identification.

But in any case, after further review, LCCU confirmed to Mr R his application had been declined within around 48 hours. So, while I think LCCU's communication needed to have been better, I'm satisfied Mr R's financial difficulties were present in spite of LCCU actions, not because of them. And I think while it's clear he was given false expectations because of LCCU's actions, this was for a very short period, with them then having acted promptly to complete their review and to update Mr R.

Putting things right

As I don't think LCCU's acted fairly by communicating with Mr R as they did, they should pay him compensate him for the distress and inconvenience their actions caused.

To put things right, LCCU should pay Mr R £200 compensation.

My final decision

My final decision is that I uphold Mr R's complaint and instruct London Capital Credit Union Limited 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 14 January 2026.

Sean Pyke-Milne
Ombudsman