

The complaint

Mr B is complaining about North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank (CCB). He says they treated him unfairly when he struggled to make repayments against his loan from them.

What happened

In April 2024, CCB lent Mr B £12,800. The terms of the agreement required him to pay CCB around £400 per month throughout the four-year term. Mr B made his repayments on time until December 2024 but unfortunately lost his job in the autumn of 2024 and stopped making payments against the loan.

Mr B called CCB in January 2025 and told them he'd been in touch with a debt charity who had applied for a sixty-day government breathing space for him. CCB offered to put his account on hold for thirty days. Mr B then called a week later saying he was receiving text messages demanding payment every few hours.

Mr B complained to CCB a few days later, in early February. He was upset that they hadn't replied to two emails he'd sent them in late 2024, and he was unhappy that they'd contacted him repeatedly whilst he was in a breathing space arrangement. CCB acknowledged they could have supported Mr B better and offered him £25 to resolve his complaint. They deducted this amount from his account balance.

Mr B brought his complaint to our service. As well as the complaint points he'd raised with CCB, he was unhappy that despite his conversations with CCB about his situation and his arrears, they'd defaulted his account. One of our investigators looked into Mr B's complaint. During her investigation, CCB noted that they should have reviewed the account with Mr B before defaulting it and hadn't. They offered an extra £50 as compensation for not having done so, but said on balance they thought it was likely the account would have defaulted even if they had reviewed it with him.

Our investigator concluded that CCB's offer was fair. But Mr B disagreed. He said CCB had defaulted his account despite assuring him they wouldn't. And he said he'd been trying to arrange to pay the arrears with help from his family, but CCB hadn't given him enough time. Overall, he said, their poor communication and lack of support combined with the premature default had a serious impact on him and should warrant either removal of the default or increased compensation.

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 Mr B's complaint. But I've reached the same conclusion as our investigator, and I'm satisfied the £75 CCB have offered Mr B is fair compensation. I appreciate this will be disappointing for Mr B, but I'll explain my reasons below.

I've thought carefully about what CCB have got wrong here. From what I've seen, CCB failed to reply to some of Mr B's emails, sent him communications he wasn't expecting whilst he

was in a breathing space arrangement, and didn't review his account before defaulting it in May 2025. I'll deal with each in turn.

Failure to reply to emails

I can see Mr B emailed CCB twice in late 2024, and they didn't reply to those emails. This is clearly poor customer service and would have been frustrating. CCB's lack of response to Mr B's emails meant they continued to take the direct debit repayments when he'd have preferred them not to. But Mr B didn't call them until mid-January. So, I'm not persuaded that CCB's lack of response to these emails had a significant impact on him – if it had done, he'd have called CCB earlier.

So, whilst CCB should have replied to Mr B's emails, and their failure to do so would undoubtedly have been frustrating, I'm satisfied the impact on Mr B of their not doing so was relatively limited.

Unexpected communications during breathing space arrangement

When a customer is in a breathing space arrangement, a business is not supposed to contact that customer with any demands for payment. However, they can keep the customer updated about the status of the account. In Mr B's case, these updates included notices of arrears, a notice of default, and notifications that his direct debit payments had failed. So, I can't say CCB shouldn't have sent any of these communications.

I haven't seen any other communications CCB sent to Mr B. But Mr B called CCB on 30 January 2025, a week after the breathing space arrangement had been set up. In this call, he said CCB were sending him text messages demanding payment "every few hours". During that call, CCB's representative said he would change the settings on Mr B's account – which suggests they might not have been correctly applied when CCB approved the breathing space arrangement a week earlier. Mr B complained to CCB on 5 February 2025 about the text messages and also about letters he'd received. CCB said they hadn't sent him anything they shouldn't have done. But they acknowledged they might not have been clear enough when explaining what contact Mr B might receive from them.

Mr B didn't contact CCB again about the level of contact after 7 February 2025. And he didn't mention the level of contact from CCB in any of his subsequent calls to them. So, although I think it's likely CCB did send him some demands for payment via text message during the breathing space period, I'm not persuaded this impacted Mr B for more than two weeks. I'm therefore satisfied the impact was relatively limited.

Defaulting the account

The Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments then a default may be registered. And the ICO expect a default to be registered by the time the consumer is six months behind with their payments. That's because by this time it would be clear that the consumer is unable to make their contractual payments.

By the time Mr B's account was defaulted in May 2025, Mr B hadn't made any payments to CCB for five months. So, CCB defaulted Mr B's account in line with the ICO guidelines.

However, Mr B thinks he was given unclear information. He didn't expect the account to be defaulted and now thinks the default should be reversed. I've considered what CCB told him below.

CCB sent Mr B a notice of default in April 2025. This said he had 14 days to come to an acceptable arrangement with CCB. Mr B called CCB when he received the notice of default.

He said he wasn't expecting it as he was in a breathing space arrangement at the time. And he thought his account hadn't reached the 75-day arrears point they'd told him about. But CCB said his account was actually 90 days in arrears. And they gave a clear explanation of what Mr B would need to do to avoid a default, saying he'd need to show he'd be able to pay his normal monthly instalment as well as paying off his arrears within at most nine months.

During the phone call, CCB explained that this would mean paying at least £550 per month. Mr B suggested this was likely to be unaffordable for him. He said he had a rough idea of what his new take-home pay would be, but he wasn't sure about the deductions and he needed to rent a new place having been living with family members. So, he was very unsure about what his disposable income would be. He talked about the other creditors he had and said he'd be in the same position with all of them – so it was unlikely that he'd be able to afford to pay much more than his normal monthly instalment. He said he needed to go away and make some decisions and suggested he'd speak to a debt charity to help him with this. CCB said they'd allow Mr B a further 30-day hold on his account to allow him time to speak to the debt charity and work out what he was going to do.

Mr B appears to have come away from this call with an understanding that CCB wouldn't default his account for ten days after the end of the hold. So he was upset that they defaulted it after five days. But I've listened to the call recording, and I'm not persuaded CCB did say this. Instead, they said they would review the account at the end of the hold and aim to agree an affordable solution with Mr B. CCB were clear that the account might still default.

When our investigator started looking into Mr B's complaint, CCB said they hadn't carried out the account review at the end of the 30-day hold. They acknowledged that they should have done this, but they didn't think it would be appropriate to reverse the default. And I agree. When a business gets something wrong, like not carrying out an account review, I have to decide what's most likely to have happened if they'd done what they should have.

In this case, that means deciding what would have happened if CCB had carried out the account review. Mr B was clear on 15 April that he wouldn't be able to repay the arrears within six months. And it sounded like he also wouldn't be able to repay them within nine months. CCB made it clear that to avoid a default, Mr B would have to pay off the arrears within nine months. And I'm not persuaded that was affordable for Mr B. When he received the formal demand, Mr B emailed CCB to say he would pay off the loan in full at the beginning of June. But that didn't happen, and, by August 2025, he hadn't made any payments since December 2024. So, I've seen nothing to suggest that Mr B would have been able to avoid the account defaulting even if CCB had carried out the promised account review. It therefore follows that the default should stand and the impact on Mr B of them not carrying out the review was limited.

Summary

On balance, CCB should have done some things better here. They should have replied to Mr B's emails. They should have been clearer about what communications would be sent during an account hold, and they shouldn't have sent text messages demanding payment. They also should have carried out the account review they promised.

But CCB did explain clearly to Mr B the consequences of his arrears and what he'd need to avoid a default – both in the call of 15 April 2025 and in a call on 14 March 2025. And I'm not persuaded Mr B would have been able to avoid his account defaulting if CCB had carried out the account review. Taking all of this together, I'm satisfied the overall impact of CCB's shortcomings on Mr B was limited and I'm satisfied £75 is fair compensation.

My final decision

As I've explained above, I'm upholding Mr B's complaint. North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank need to pay him £75 to settle the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 December 2025.

Clare King
Ombudsman