

The complaint

Miss C complains about how The Co-Operative Bank PLC (“Co-op”) has administered a Professional and Career Development Loan (“PCDL”) that she took out in February 2019.

What happened

Miss C took a PCDL from Co-op in February 2019. The loan was for £10,000 to be used to fund some professional training that Miss C was undertaking. Under the terms of the loan Co-op would advance four payments of £2,500 to Miss C’s chosen training provided at six-monthly intervals. The payments were made in February and August of 2019 and 2020. No interest would become due on the loan until Miss C completed the training course. She then agreed to repay what she had borrowed in 60 monthly instalments starting in March 2021.

In May 2020 Co-op confirmed to Miss C that it had agreed to defer the start of her repayments due to her training being delayed by the Coronavirus pandemic. It told her that it had applied the maximum deferment of 17 months meaning her repayments would now start in September 2022. Co-op wrote to Miss C in July 2022 to remind her that her repayments were about to start.

In line with the normal operation of the loan, Miss C held two accounts with Co-op (alongside another unconnected current account). She held a current account that was used to make the repayments. And she held a loan account that showed the outstanding balance and received quarterly interest charges.

Miss C discussed her outstanding loan balance with Co-op by telephone in July 2025. Co-op accepts that call didn’t proceed as smoothly as it should have done. The call handler failed to identify that a deferment of the repayments had been previously agreed. And she failed to correctly distinguish the difference between the loan account and the current account. Miss C said that she thought she should have been nearing the end of her repayments and wasn’t told that conclusion was incorrect. Miss C was told that someone from the loans team would get back in touch with her to provide further information.

Miss C next spoke with Co-op in August 2025. That call did provide her with more accurate information, identifying the repayment deferral, and that the loan still had an outstanding balance. But since that information was different to what Miss C had previously been told she raised a complaint with Co-op about how her loan had been administered. In particular she complained that interest had been added to the loan during the deferment period, and that her repayments hadn’t been correctly applied to the loan balance.

Co-op didn’t agree with Miss C’s complaint. It said it had correctly reflected her repayments and balances on the statements of her two accounts. And it said that no interest had been added to the loan until the repayments started in September 2022. Unhappy with that response Miss C brought her complaint to us.

Before we could consider the complaint Co-op highlighted that it hadn’t dealt with Miss C’s phone enquiries in July 2025 as well as it would have expected. So it offered Miss C £75 for

her inconvenience in an attempt to proactively settle her complaint. Miss C didn't accept that offer so her complaint was assessed by one of our investigators. The investigator thought that Co-op had operated the loan correctly and in line with the agreement Miss C had signed on 30 January 2019. The investigator didn't think Co-op needed to do anything further.

Miss C didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Miss C and by Co-op. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

The PCDL that was provided to Miss C was a fixed-sum loan agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

I set out above in brief terms how the PCDL was designed to work. The loan was used to pay for professional development and wouldn't start to be repaid or attract interest until the training course had been completed. During the training period the interest charges would be met by the Skills Funding Agency. Miss C's loan agreement set out the repayments would start in March 2021 and last for five years. The agreement explained that Miss C would need to repay £210.01 each month (apart from the final month when her repayment would be £210.09). After including the interest she would be charged Miss C would repay a total of £12,600.68 against her borrowing of £10,000.

Given the problems that were caused in completing Miss C's training due to the Coronavirus pandemic, Co-op agreed that the loan repayments could be deferred by 17 months. That was the maximum period allowed under the terms of the loan. During that deferment period the interest on the loan continued to be covered by the Skills Funding Agency. So when Miss C started to repay the loan after the deferment, in September 2022, her repayments remained unchanged. She would still need to repay the loan in 59 instalments of £210.01 followed by a final instalment of £210.09.

Co-op has provided us with statements for both the loan account and the linked current account. Those show a payment of £210.01 being transferred each month from the current account to the loan account as per the repayment agreement. The current account was initially funded by Miss C transferring in the value of one or two months' payments at a time. But in March 2024 Miss C transferred £5,000 into the current account that has been used to make the loan repayments ever since. Around the time she made the complaint the current account had a balance of £1,043.62.

The loan account shows that Co-op made the payments to the course provider in four instalments in February and August 2019 and 2020. After that there was no further activity on the account until Miss C started to repay the loan in September 2022. Interest is added to the loan account each quarter – with the first interest amount being added in October 2022.

It seems that Miss C has become confused between the operation of the two accounts. I accept that they share similar account numbers. But the account narrative describes one account as being a “Current” account, and the other as a “Loan” account. It is the loan account that shows what Miss C still owes, and the current account that shows the funds she has set aside to make her repayments.

In line with many loans of this type, interest is added to the loan balance based on the amount outstanding at the time. That means that, in the early days of the loan when the balance is highest, the interest charges are greater. So the larger part of any payments being made repay the interest that has been charged rather than reducing the capital balance. But, in the later years, as the loan balance and therefore interest charges reduce, the monthly payments have a greater impact on reducing the amount outstanding. I am satisfied that the way Co-op has operated Miss C’s PCDL is in line with the agreement she signed in January 2019.

I have listened carefully to recordings of the phone calls that Miss C had with Co-op in July and August 2025. As I have said earlier, Co-op agrees that it could have handled things better on the July call. And I must agree with that conclusion. Whilst the call handler was very keen to assist Miss C and answer her questions the information she provided was not as accurate or complete as I would have expected. The call handler appeared confused about the two different accounts and how the repayments to the loan would appear on Miss C’s statements. That led her to tell Miss C that it was possible her loan had now been fully repaid.

But, quite importantly, I don’t think that on that call Co-op provided Miss C with a definitive answer. The call handler’s confusion led her to tell Miss C that she would refer the query to a more experienced team who would provide a more detailed answer. So I don’t think it would be fair to describe Miss C as being misled on that call – instead I think she might have had some expectations raised that her loan was nearing its end. But it was made clear that answer would only be finally provided by the specialist team who would receive the query.

As I have said earlier, Miss C’s loan wasn’t approaching the end when she called in July 2025. At that time the loan still had an outstanding balance of over £4,500 and due to the deferral the repayments would need to be made for another two years. I understand how disappointing that confirmation would have been for Miss C when it was explained to her on the call in August 2025. But as I have explained I am satisfied that Co-op has correctly managed her loan account, and that there is no suggestion that any fraud or maladministration has taken place.

There is little doubt that the confusion caused to Miss C on the phone call she had in July 2025 will have caused her some distress and inconvenience. Co-op recognised that and made her an offer of £75 compensation. I’ve thought carefully about that offer, and about awards that I would generally make in circumstances such as these. Having done so I think that the offer Co-op made to Miss C is reasonable. So I will now direct that compensation should be paid.

I have seen that, more recently, Miss C has told us about some problems she has faced in making her loan repayments. As our investigator has explained, this complaint only relates to whether Co-op has operated the loan account correctly. Should Miss C have concerns about being able to afford her repayments, or even about how Co-op has dealt with any financial difficulties, she would need to discuss them with the Bank in the first instance. Should she remain unhappy with those responses Miss C could bring a separate complaint to us.

I appreciate that this decision will be disappointing for Miss C. But I am satisfied that she agreed to repay her borrowing through 60 monthly repayments. Although the start of those repayments was deferred that doesn't reduce her liability to make all the repayments on the loan. So I think Co-op has correctly calculated the loan balance and shown that on the statements it has sent to Miss C.

Putting things right

Co-op should pay the £75 compensation it previously offered for the distress and inconvenience caused to Miss C by its handling of her enquiries in July 2025.

My final decision

My final decision is that I uphold a part of Miss C's complaint and direct The Co-Operative Bank PLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 12 May 2026.

Paul Reilly
Ombudsman