

summary of complaint

Mrs T complains about Leeds City Credit Union Limited's handling of a debt management plan. She says the credit union should have checked whether she had payment protection insurance (PPI) on her accounts with other creditors and that, because it did not, she has needlessly made payments to most of her creditors over the years.

Mrs T also complains about how the credit union has administered the loan she holds with it.

background

I set out the background to this complaint in my provisional decision. I also explained why I did not propose to uphold Mrs T's complaint. In summary, I concluded that:

- It would have been helpful if the credit union had asked Mrs T about PPI when she entered into the debt management plan in around 2004. But it did not give any undertaking – and was not under any obligation – to do so.
- The credit union had reduced the rate of interest on the loan Mrs T has with it and accepted reduced payments for nearly ten years. Taking everything into account, I did not consider it had treated her unfairly overall while she was in financial difficulty.
- Mrs T had said that the credit union had not distributed her payments proportionately to her creditors, and it had taken the lion's share. But she did not appear to have complained about that to the credit union and the credit union had not dealt with it. Mrs T could complain about it separately if she wished.
- Judgment appeared to have been issued on the matter of the debt Mrs T owes to the credit union. While the parties might wish to send me a copy of the judgment with their responses to my provisional decision, they should bear in mind that I cannot overturn the court's decision.

The credit union accepted my provisional decision, but Mrs T did not. She asked me to reconsider, and said, in summary:

- The credit union was not properly authorised to offer the debt management service it had given her, and in doing so was in breach of the law, regulations and guidelines. It gave her no written agreement about the service it was providing.
- I had not taken account of her illness, which meant that she was vulnerable and had to place complete trust in the credit union. The credit union was wholly responsible for her financial affairs.
- The service she had received was substandard, which in turn had a severe impact on her financial situation. The credit union did not fulfil its duty to explore all the options available to her – in particular, whether she had PPI in relation to any of the debts.
- The way the credit union operated her loan is secondary, but is not a separate matter. She is still paying the loan more than ten years after she took it out, and the interest rate concessions she received were during a period when the base rate was at a record low.

- The credit union's explanation about why it increased the interest rate on the loan was untrue. It increased the rate well before it took court action.
- The credit union favoured its own loan when distributing her payments, and simply adjusted the interest rate to match the payments she was making.

my findings

I have reconsidered all the available evidence and arguments, in order to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I find I have reached the same conclusions as I did in my provisional decision, which are summarised above.

Mrs T says the credit union was not authorised to provide the service it did. The Office of Fair Trading's public register suggests otherwise. In any event, I am not the regulator, so it is not for me to fine or punish a financial business, for example. And, as I explained in my provisional decision, in the circumstances of this complaint I think that it was for Mrs T – not the credit union – to identify that she had PPI policies at the outset.

Mrs T believes the credit union should not have been entitled to increase the interest rate on her loan with it. Lenders should generally treat customers in financial difficulty sympathetically and positively. Taking the credit union's treatment of Mrs T as a whole over a number of years – including the concessionary interest rates and reduced payments it agreed, as well as taking into account Mrs T's circumstances and illness – I consider it has done so.

Neither Mrs T nor the credit union has provided me with a copy of the court judgment relating to the loan. In all the circumstances, I do not consider it would be either fair or appropriate for me now to require the credit union to make a refund of interest.

Finally, I still consider that a complaint about the way in which the credit union distributed Mrs T's payments is a separate matter and it would not be appropriate for me to consider it here. Mrs T can make a fresh complaint about that to the credit union if she wishes. She may then be entitled to bring the matter to this service if appropriate.

my final decision

My final decision is that I do not uphold this complaint. I make no order or award.

Janet Millington
ombudsman