

complaint

Mr D complains East Sussex Credit Union Limited wouldn't give him a new loan and refused him access to his savings. He says the credit union later withdrew an offer for a smaller loan after he told it he was considering taking legal action.

background

Mr D needed some money due to unforeseen circumstances. He had some savings with East Sussex Credit Union (ESCU) and also some borrowing with it. He applied for a new loan and also asked to withdraw some of his savings. ESCU decided not to grant the new loan and wouldn't let Mr D withdraw any of his savings because they were being held as security for his existing borrowing.

When Mr D asked for his loan application to be reconsidered a couple of months later, ESCU told him in a phone call that it had decided to offer him a smaller loan because he had paid off more of his borrowing and increased his savings. But when Mr D told the adviser during the same phone call he was considering taking legal action against ESCU, it withdrew the offer.

Our adjudicator concluded;

- ESCU was entitled to refuse the new loan based on its rules and its commercial judgement.
- ESCU was entitled, based on its rules, not to give Mr D access to his savings because they were being held as security for his borrowing.
- ESCU was entitled to withdraw its offer of a smaller loan when it became aware Mr D was considering legal action against it.

But the adjudicator recommended the complaint should be partly upheld due to poor customer service Mr D received because the offer of a smaller loan was withdrawn and problems he had in getting a copy of the credit union's rules. Our adjudicator recommended ESCU should pay Mr D £50 for this.

ESCU has agreed to pay Mr D the £50 recommended, but only in relation to the problem he had getting a copy of the rules. It does not accept he received poor customer service when the reduced loan offer was withdrawn. Mr D says he should receive a higher payment because ESCU withdrew the offer of the reduced loan offer twice. And he says because he couldn't get the loan or access to his savings, he had to take out a loan with a loan company at a higher rate of interest.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

the new loan

ESCU was acting in accordance with its rules which allow its board of directors to decide the maximum amount of loans given to members. ESCU says it bases its lending policy on affordability and was entitled to conclude Mr D couldn't afford this further loan based on its assessment of his finances.

ESCU accepts Mr D had a good repayment history; but says his borrowing was increasing.

The credit union also says that out of fairness it allowed Mr D to use a repayment method it wouldn't normally consider because Mr D couldn't pay by standing order. ESCU says it keeps its members' exposure to this type of repayment method to a minimum. In the circumstances I find ESCU has treated Mr D fairly and was entitled to decline his loan application.

access to savings

ESCU has explained it didn't allow Mr D to withdraw his savings as they were being held as security against his existing borrowing. It also explained that credit unions don't generally have the resources that high street banks and building societies have and must be especially cautious in managing their member's money.

Rule 18 of ESCU's rules deals with access to savings by members who also have loans with the union. It allows ESCU to refuse a customer access to savings if the amount withdrawn would leave the balance of the savings lower than the value of the loan. Mr D's loan amount was higher than the balance in his savings account when he asked to withdraw some savings. The loan agreement he signed includes a declaration that the customer pledges all his paid shares (savings) as security for repayment of his loan. In these circumstances I find ESCU was entitled not to allow Mr D to withdraw any of his savings. It is unfortunate that Mr D had to take out a loan with a higher interest rate, but I can't reasonably conclude that this was the fault of the credit union.

withdrawal of the offer of a smaller loan

Mr D asked ESCU to reconsider its decision not to grant him a new loan a couple of months later. As Mr D had paid off more of his loan and had increased his savings, it decided to offer him a loan of half the amount he had been first looking for. When it told Mr D it had agreed a smaller loan, he said during the same conversation that he was considering legal proceedings. ESCU explained that before a loan arrangement had been entered into, it withdrew the offer as it didn't believe it was right to enter into a further loan arrangement with a member who was considering legal proceedings. I have already said that credit unions operate under different circumstances to high street banks and building societies and must protect the interests of all its members. I also note that Mr D didn't tell ESCU why he was considering legal proceedings. And in the circumstances I find that ESCU's decision to reconsider the loan offer was reasonable.

Mr D says that the offer was withdrawn again after he had written to say he wouldn't take legal proceedings. He says an adviser told him that his loan would be approved if he did this.

ESCU says it didn't receive Mr D's letter and, in any event the person Mr D spoke to didn't have the authority to make an offer of a loan. I have seen a contemporaneous note from the adviser. This note refers to Mr D asking if the loan would be approved if he didn't take legal proceedings, but goes on to make it clear the adviser wasn't in a position to make loan decisions. The adviser was simply telling Mr D to put his position in writing to allow ESCU to consider it. Mr D may have misinterpreted the adviser, but I cannot reasonably conclude that this conversation amounted to an offer of a loan.

customer service

I have found that ESCU was entitled to withdraw the offer of the smaller loan because Mr D was considering legal proceedings and to protect the interests of its members, including Mr D. In the circumstances I disagree with our adjudicator and don't find that this decision amounted to poor customer service.

Mr D says that he has been asking for a copy of ESCU's rules for about one year. ESCU accepts that he did request a copy but disagrees that he was kept waiting for so long. A copy was given to Mr D some time during the consideration of this complaint. ESCU does accept that he was told that he could read the rule book on its website. When our adjudicator checked this she found the website directs members back to the credit union's office for a copy of the rules. ESCU accepts there is a problem and is trying to fix it. In the circumstances I find that the £50 that ESCU has agreed to pay Mr D for this aspect of poor customer service is fair and reasonable.

my final decision

My decision is that I uphold this complaint but only in relation to the problems Mr D had with the rule book. And I order East Sussex Credit Union Limited to pay Mr D £50 for this, as it has offered to do, in full and final settlement of this dispute.

Michael Ranaghan
ombudsman