

Complaint

Miss A complains that Lodge Lane and District (Liverpool) Credit Union Limited (LLCU) have not responded positively or sympathetically to her financial difficulties.

Miss A is represented by C, an advice centre.

background

C complained on Miss A's behalf about a loan taken with LLCU. Miss A is unhappy that when she approached LLCU to inform them that she was in financial difficulties in December 2011, they refused to allow her to withdraw funds from her share (savings) account, but instead offered her another loan.

C says that when Miss A fell behind on her loan repayments, LLCU sent a threatening letter, which outlined extremely high debt processing and collection fees. As LLCU failed to respond to Miss A's complaint and token repayment offer, C brought her complaint to this service.

LLCU explained that their rules at the time did not allow Miss A to withdraw from her shares, as her loan balance was greater than the balance on her share account. They disagree that the arrears letter was threatening. Our adjudicator was of the view that LLCU had not treated Miss A unfairly and did not recommend that the complaint should be upheld.

C disagreed with the adjudicator and requested that the complaint be referred to an ombudsman. C says that LLCU's practice on restricting access to savings is unfair and is of the view that the charges and fees quoted in the arrears letter are unfair.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I partly uphold this complaint.

access to shares

C has said that despite being aware that Miss A was in financial difficulty, LLCU would not allow her to access her savings to pay her debt, but advised her to take out another loan.

LLCU has explained that their policy is to hold share accounts as security against loans. They explained that unlike high street banks, credit unions provide loans which are funded from members' savings, so to protect the members collectively they attach shares to loans for security.

LLCU have provided a copy of their rules and policy in respect of the withdrawal of shares. It is clear that when Miss A applied to withdraw her shares in December 2011, this could not be allowed as her loan balance was £3,898.13 and was more than her shares £1,936.35.

In January 2012, the law regarding the attachment of shares to loans by credit unions changed, to allow restricted withdrawal of shares, where the loan liability is greater than share balance. In accordance with LLCU's revised policy, Miss A was allowed a share withdrawal of £206.10, which she accepted, when she took out a top up loan in January

2012. Whilst I appreciate that C considers the policy on restricting the withdrawal of shares to be unfair; I am satisfied that LLCU's policy was in line with the relevant legislation.

In addition, the top up loan taken in January 2012 provided Miss A with a lower interest rate, reducing her monthly loan repayments. In these circumstances, I am unable to find that LLCU treated Miss A unfairly. For this reason I do not uphold this aspect of the complaint.

arrears letter

C has said that the letter sent by LLCU in July 2013 was threatening and the charges referred to are unreasonably high.

I note C's concern about the level of charges mentioned in the letter. In this particular instance, Miss A has not been charged these fees; therefore I do not consider this issue to be material to the outcome of this complaint.

What I need to consider is whether the letter as a whole, was fair and reasonable, in the circumstances. Whilst I acknowledge that any communication from a creditor can cause anxiety, for someone facing financial difficulty, I do not consider the arrears letter to be unreasonable. I say this because when this letter was sent, LLCU were not aware of the extent of Miss A's financial difficulties. In January 2012, LLCU conducted an in-depth loan interview with Miss A to consider how she could be helped to address her debts. It was not until August 2013, when C wrote to LLCU setting out the extent of Miss A's financial difficulties, that they became aware of her circumstances. Therefore, I do not uphold this aspect of the complaint.

failure to respond to complaint

LLCU have acknowledged that they were at fault, for failing to respond to the letter of complaint sent in August 2013 by C. I consider it fair and reasonable for LLCU to pay Miss A £50, in recognition of the way Miss A's complaint was handled. I note that Miss A has not been in contact with LLCU and has not made any repayments towards her loan for some time. In the specific circumstances of this complaint, I consider it appropriate for the £50 award to be offset against the loan account.

LLCU has informed this service that it is willing to consider freezing interest on Miss A's account, if she begins to make the regular token repayments that she has offered. I encourage Miss A to work with LLCU in order to agree a mutually acceptable repayment plan.

my final decision

My final decision is, I partly uphold this complaint and order Lodge Lane and District (Liverpool) Credit Union Limited to offset £50 against Miss A's loan account.

Karen Dennis-Barry
ombudsman