



<u>Decision Ref:</u>	2018-0062
<u>Sector:</u>	Banking
<u>Product / Service:</u>	Credit Union Loan
<u>Conduct(s) complained of:</u>	Dissatisfaction with customer service Refusal to grant consumer credit
<u>Outcome:</u>	Rejected

LEGALLY BINDING DECISION OF THE FINANCIAL SERVICES AND PENSIONS OMBUDSMAN

Background

The Complainant is a former member of the Respondent Credit Union.

His complaint concerns a loan application in 2017 and the manner in which the Credit Union conducted itself. The Complainant explains that on the 15 May 2017 he applied to the Credit Union for finance in the amount of €30,000 to fund the purchase of a motor vehicle. On the 18 May 2017 he received a telephone call from a Credit Union representative outlining that his application had been declined due to insufficient repayment capacity. The Complainant states that the representative in question did not announce who she was at the outset of the phonecall or at any stage reveal that she was in fact an assistant manager. The Complainant states that he attempted to tell this individual that he could in fact afford the repayments; that he had plans to sell his current vehicle; and, that his girlfriend was going to assist him financially. The Complainant submits that the representative then proceeded to question him about a previous loan application, made a month previously, but subsequently cancelled. The Complainant states that while the representative seemed to know some background information, she didn't seem to be aware of the fact that in the past he had been granted two loans, now fully repaid, when initially the Credit Union had been reluctant to lend due to repayment capacity concerns.

The Complainant submits that when he attempted to reason with the representative, he was met with a "wall of silence". He says he began to get very upset at the manner in which he was being treated. He submits that he took particular objection to being told that he could ring the Credit Union back in an hour's time to talk with the Manager who was

unavailable currently as he was on his lunch break. The Complainant acknowledges that in his emotionally heightened state, he lashed out at the representative, which he regrets. The Complainant explains that on the 23 May 2017 he lodged a complaint with the Credit Union. He recounts that on this date he was left waiting for approximately 15 minutes before the Manager came to talk with him.

On the 31 May 2017 the Complainant attended a meeting with the Manager to discuss the complaint. He submits that the Manager attempted to belittle his grievance and suggested that pursuing the complaint any further would be a waste of time. The Complainant states that at no point was he given the opportunity to discuss the loan application.

The Complainant states that he closed his account with the Credit Union on the 8 June 2017 and opened an account with another financial institution.

The Complainant's Case

The Complainant remains utterly dissatisfied with the Credit Union's decision to decline his loan application and with the level of customer service provided to him.

The Complainant believes that his loan repayment history was not given enough weight by the Credit Union in its assessment of his loan application. The Complainant states that his first loan with the Credit Union was taken out in May 2011. It was in respect of a sum of €6,200 and was used to finance the purchase of a motor vehicle. The Complainant explains that by September 2011, he had already repaid €3,000. The loan was fully repaid by June 2012. The Complainant states that he kept the vehicle he had funded with his first loan, for four and a half years. When he decided to purchase a new car he says he opted for a loan with the Credit Union once again. He submits that he was met with disappointment initially, as the loan was rejected on the basis that he would not be able to afford the repayments. However, the then Manager provided him with an option to make larger repayments and the loan was ultimately approved. The loan in the amount of €12,000 issued in February 2016 and was repaid in full by April 2017.

The Complainant states that his loan history clearly demonstrates his ability to meet loan repayments and to clear loans before expiry of the loan term. The Complainant believes that in light of his immaculate credit history, his recent loan application should have been approved.

The Complainant further argues that the Credit Union wrongfully failed to consider the fact that he has savings with another Financial Institution in the amount of approximately €3,700, when it was assessing his loan application.

The Complainant is extremely unhappy at the treatment received at the hands of the Credit Union. He believes that the service extended to him was wholly unprofessional. The Complainant also believes that his loan application was not given correct or adequate assessment.

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The complaint is that the Credit Union wrongfully declined the Complainant's loan application and that the Credit Union provided the Complainant with an inadequate and unprofessional level of customer service.

The Provider's Case

The Credit Union refutes the complaint that it wrongfully declined the Complainant's loan application. The Credit Union also rejects the contention that the customer service provided to the Complainant was inadequate.

The Credit Union explains that the Complainant applied for a car loan in the amount of €30,000 on the 15 May 2017. He had shares of €4,830.33 in the Credit Union at the time of the application, which he was pledging as collateral. The Credit Union states that according to his loan application, he was working as a sales assistant earning approximately €360 per week net after the deduction of tax. Following an assessment of the Complainant's loan application the Credit Union declined to provide the finance requested on the basis that a loan of that magnitude for an individual on that level of income was outside of its risk appetite. The Credit Union states that it was not prepared to expose itself to such risk.

The Credit Union submits that the Central Bank expects it to manage its affairs prudently, in the interest of the protection of members' savings. The Credit Union states that the average loan issued in 2017 was in the sum of €3,800. Loans of €30,000 or higher would be very rare and would only be granted in instances of higher income streams.

The Credit Union explains that on the 18 May 2017 the Manager asked the Assistant Manager to telephone a number of loan applicants to advise them of the decisions of their loan applications. The Complainant was one of the individuals contacted. During the telephone conversation the Complainant was told that his application had been declined, as the size of the loan was disproportionate to his income level. The Credit Union states that the Complainant was very unpleasant in his language and despite being offered the option of a telephone call with the Manager later in the day, he terminated the telephone conversation by hanging up.

The Credit Union states that following receipt of the Complainant's letter of complaint, a meeting between the parties took place on the 23 May 2017. The Complainant was subsequently advised of his right to appeal the loan refusal to the Board of Directors. Another meeting took place on the 26 June 2017, when the Complainant and representatives of the Board of Directors were present. The Complainant was advised that only the complaint regarding customer relation issues was being discussed at that time, and not the decision to decline his loan application.

The Credit Union states that two letters issued to the Complainant on the 27 June 2017- a final response to his customer service complaint and a separate letter concerning the loan refusal appeal. The Credit Union explains that in the intervening period the Complainant had withdrawn his savings and closed his account; the letter advised the Complainant that his shares would have to be reinstated before his appeal could be heard because the loan application was based on him pledging his shares as security. An updated final response

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letter issued to the Complainant on the 4 July 2017. Following further correspondence between the parties, including a plea by the Complainant to hear his appeal without his shares being reinstated, the Credit Union decided, on an exceptional basis, to hear his appeal despite the closure of his account. The appeal hearing took place on the 20 July 2017, the result of which was unanimous agreement by the Board of Directors to uphold its earlier decision not to approve the loan application. The Credit Union decided to approve a loan in the lesser sum of €15,000, based on savings of €4,830.33 pledged as security. The decision of the Board of Directors was conveyed to the Complainant by letter dated the 21 July 2017.

In sum, the Credit Union is satisfied that it had every right, and indeed a duty, to decline the Complainant's loan application for finance in the amount of €30,000. The Credit Union is of the view that the loan application process was conducted fairly and appropriately. Furthermore, the Credit Union submits that the Complainant's complaints were handled fairly, courteously and in a timely manner.

Decision

During the investigation of this complaint by this Office, the Provider was requested to supply its written response to the complaint and to supply all relevant documents and information. The Provider responded in writing to the complaint and supplied a number of items in evidence. The Complainant was given the opportunity to see the Provider's response and the evidence supplied by the Provider. A full exchange of documentation and evidence took place between the parties.

In arriving at my Legally Binding Decision I have carefully considered the evidence and submissions put forward by the parties to the complaint.

Having reviewed and considered the submissions made by the parties to this complaint, I am satisfied that the submissions and evidence furnished did not disclose a conflict of fact such as would require the holding of an Oral Hearing to resolve any such conflict. I am also satisfied that the submissions and evidence furnished were sufficient to enable a Legally Binding Decision to be made in this complaint without the necessity for holding an Oral Hearing.

A Preliminary Decision was issued to the parties on 4 May 2018 outlining the preliminary determination of this office in relation to the complaint. The parties were advised on that date, that certain limited submissions could then be made within a period of 15 working days, and in the absence of such submissions from either or both of the parties, within that period, a Legally Binding Decision would be issued to the parties, on the same terms as the Preliminary Decision, in order to conclude the matter.

In the absence of additional submissions from the parties, the final determination of this office is set out below.

The Complainant's complaint is two-fold. The first aspect of the complaint concerns the Credit Union's decision to decline the Complainant's loan application. The second part of

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the complaint relates to the customer service provided to the Complainant in connection with his loan application.

The granting of finance to customers and related lending decisions are matters which fall within the commercial discretion of financial institutions and credit unions. This Office will not interfere with this commercial discretion, and therefore will not investigate complaints relating to a decision to grant or refuse a request for finance, unless the conduct complained of is unreasonable, unjust, oppressive or improperly discriminatory in its application to the Complainant, within the meaning of **Section 60(2)(b)** of the **Financial Services and Pensions Ombudsman Act 2017**.

In his submissions to this Office the Complainant describes his disgruntlement at the Credit Union's refusal to grant him the finance requested. The picture presented is of a very dissatisfied customer questioning the fairness and reasonableness of the Credit Union's lending decision. While it is not a matter for this office to look behind the Credit Union's lending decision, insofar as the decision itself is one which falls within its commercial discretion, I can examine the manner in which the Credit Union handled the Complainant's loan application in order to ascertain if the Credit Union's conduct was indeed unreasonable in its application to the Complainant.

The loan application in question was submitted by the Complainant on the 15 May 2017. The Complainant sought finance in the sum of €30,000 in order to fund the purchase of a motor vehicle (an Audi). On his Loan Application Form (a copy of which has been provided in evidence) the Complainant outlined that he worked as a sales assistant and that he was in receipt of a weekly net salary of €360. He also outlined that he was single, and that he was living with his parents. The Complainant indicated that he was willing to offer an amount of €4,830.33 as collateral for the loan.

On the 18 May 2017, just three days after submission of his loan application, the Credit Union contacted the Complainant by telephone to advise him that his loan application had been declined, explaining that the size of the loan was disproportionate to his income level. The Complainant opted to appeal the decision and an appeal hearing took place before the Credit Union's Board of Directors on the 20 July 2017. The Credit Union upheld its previous decision; however, a decision was made to offer the Complainant a reduced loan of €15,000, conditional upon the same collateral being provided by the Complainant, as indicated on his Loan Application Form. The Credit Union's appeal decision was communicated to the Complainant by letter dated the 21 July 2017, a copy of which has been furnished in evidence. The Complainant was advised as follows-

"First of all the Board thanks you for your loan application and for your excellent record with past loans.

The Board has, exceptionally in this case, allowed your appeal to proceed notwithstanding that you closed your account with and terminated your membership of [the Credit Union] on 8th June 2017.

At a meeting last night the Board considered your appeal. It is based upon a scenario where you would be pledging an amount of €4,830.33 in shares as security against the loan.

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After very careful consideration and deliberation the Board unanimously agreed to uphold the earlier decision not to approve your loan application on the basis that it is outside the Credit Union's risk appetite.

The Board has asked me to convey to you that it would be prepared to approve a loan to you of up to €15,000 based upon pledged shard of €4,830.33 provided there is no material change to the circumstances outlined in your above application."

Having considered the manner in which the Complainant's loan application was handled, from initial Loan Application Form submission to the outcome of the appeals process, I am unable to point to any instance of unreasonable conduct on the part of the Credit Union. On the contrary, it appears to me that the Credit Union dealt with the Complainant's request for finance in a professional, reasonable and fair manner. The Credit Union's decision was communicated to the Complainant three days after the date on which the Complainant applied for the loan- an expeditious response to the loan request. The Complainant was informed as to why his application was rejected and was on notice, therefore, of the reasons for the Credit Union's decision. The Complainant was offered the opportunity to appeal the Credit Union's decision, which he availed of, notwithstanding that by this stage he had ceased to be member of the Credit Union. Rather than allowing the Complainant's new status as a non-member to hinder the appeals process, the Credit Union entertained the appeal despite the Complainant's termination of his membership on an exceptional basis. In my view, this illustrates the Credit Union's very fair and rational approach to its dealings with the Complainant. Also of note is the fact that following the appeal hearing, the Credit Union, rather than denying the Complainant lending facilities outright, opted to meet the Complainant halfway by suggesting he could take up finance in the lesser amount of €15,000.

While I note the Complainant's contention that the Credit Union failed to give sufficient weight to his previous loan repayment record, it must be borne in mind that the finance requested in May 2017, in the sum of €30,000, was sizeable in comparison to his previous loans. On the two previous occasions the Complainant borrowed monies, the Credit Union extended loans in the amounts of €8,000 and €12,000 respectively. I am also cognisant of the Credit Union's position to the effect that in 2017 the average loan size issued amounted to €3,800. In its letter to this Office dated the 5 February 2018 the Credit Union stated that loan issues of €30,000 or more would be "rare".

Regarding the Complainant's submission that the Credit Union did not take enough store of the fact that, at the time of loan application, he had savings of €3,781.20 in another financial institution, I note the Credit Union's position that in his application the Complainant was pledging only his Credit Unions savings of €4,830.33 as security for the loan. Indeed, this is apparent from the Loan Application Form where the collateral amount is detailed as €4,830.33.

All things considered, I am unable to make any adverse findings relating to the manner in which the Credit Union handled the Complainant's loan application.

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Turning now to the second aspect of the complaint- the level of customer service provided to the Complainant. The Complainant takes particular issue with the manner in which the Credit Union's decision to decline his application was communicated to him, i.e. by way of a telephone call on the 18 May 2017. The Complainant has expressed anger and disappointment at being telephoned by the Assistant Manager of the Credit Union, who, he says, did not disclose at the beginning of the telephone conversation where she was calling from or what position she held. The Complainant also describes feeling "upset and hurt" at being telephoned by a representative of the Credit Union who did not seem to be fully versed on the particulars of his loan application, yet appeared to be aware of other details.

While I appreciate that the Complainant may have felt 'fobbed off' when a representative of the Credit Union other than the Manager was allocated to communicate the result of his loan application to him, I do not believe that it would be appropriate to criticise the Credit Union for the manner in which its duties are delegated. In a letter to this Office dated the 5 February 2018, penned by the Manager of the Credit Union, the background leading up to the telephone call was explained follows-

"I asked my colleague and assistant manager [named] to telephone a number of loan applicants that day to convey to them the decisions on their loan application. (The Complainant) was one of those contacted by [named] on the 18/5/2017. [Named] has many years of experience working in this credit union, is a very professional and courteous individual to deal with and has an excellent rapport with members (customers). [named] telephoned (the Complainant) on 18/5/2017 to convey the message to him that his application was not successful, in particular advising him that the size of the loan at €30,000 was disproportionate to his income level."

I don't believe the Credit Union acted wrongfully here, by allocating the duty of telephoning the Complainant to the Assistant Manager.

In terms of the content of the conversation, I note the Complainant's disgruntlement over the Assistant Manager's level of knowledge of his loan application. While it is indeed the case that the Assistant Manager was not involved in assessing the loan application, and therefore her knowledge of the loan application details may not have been precise, the purpose of the call was simply to convey the Credit Union's decision to the Complainant, rather than to provide an opportunity for the Complainant to renew his application orally. In its Updated Final Response Letter to the Complainant dated the 4 July 2017 the Credit Union also indicated why a member of staff may have access to application papers, even though he/she was not involved in the loan application assessment-

"On the same day the manager asked the assistant manager to telephone a number of loan applicants to convey to them the decision on their individual loan applications. The task of making those telephone calls could just as easily have been delegated to any member of staff. [The Assistant Manager] did not play any part in the decision to decline your loan application. However, any member of staff can be involved in compiling data for loan applications or may need to access application papers for one administrative reason or another. That would be perfectly in order and all staff here abide by a strict code of confidentiality."

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In my view this submission by the Credit Union cogently explains why the Assistant Manager may have been, as the Complainant describes it, *"familiar with some details of [his] case but did not seem to present all the facts"*.

It is important to point out that while the Complainant was disappointed with the way the telephone call progressed, the Credit Union's Assistant Manager was also aggrieved at the nature of the conversation. In its letter to this Office dated the 5 February 2018 the Credit Union described the telephone conversation as *"unpleasant"* and outlined that its representative was *"upset"* after the call. The Complainant himself has acknowledged that in the heat of the moment he *"lashed out"* at the Assistant Manager; however, he has apologised for this behaviour, albeit suggesting that it was brought on by the offensive treatment meted out to him.

It seems that the Assistant Manager was very aware that the Complainant was unhappy. In her own account of the telephone call, which has been supplied in evidence, the Assistant Manager recalls the Complainant getting *"very annoyed"*. The Assistant Manager remembers offering the Complainant the option of talking to the Manager later in the day *"more than once"*, such was her appreciation of his dissatisfaction. The Complainant did not take up this offer.

On the 22 May 2017 a letter issued to the Complainant advising him of the loan application decision in writing. The following day the Complainant furnished the Credit Union with a letter of complaint, following which the Manager of the Credit Union invited the Complainant to meet with him. Meetings between the parties took place on the 31 May 2017 and on the 26 June 2017. The Complainant has an unfavourable recollection of the May meeting. The Credit Union's account also confirms that the Complainant *"didn't appear...to be happy with the outcome of [the] meeting"*.

According to the Credit Union, during the June meeting it was acknowledged that there may be scope for improving the way telephone calls are made and answered in terms of staff members introducing themselves. In the Credit Union's notes of the June meeting, supplied in evidence, the following details are included-

"...advised [the Complainant] to lodge an appeal on the decision to not grant his loan and move that aspect of his complaint forward. He seemed somewhat accepting of the option of refreshing the Staff Training (Tele. Etiquette) and that this would be at least a good outcome for future communications by phone from the CU... [the Complainant was] asked would the measure above go some way to alleviating his upset and he said 'I suppose it would'".

Having considered the chronology of events and the manner in which the Credit Union representatives dealt with the Complainant throughout, I am of the view that contrary to what is alleged, the Credit Union provided an efficient and professional level of customer service to the Complainant at all stages of the process. The Complainant's concerns were immediately responded to, with offers of meetings with higher personnel advanced from the outset. It is clear from the correspondence supplied in evidence that the Complainant was informed in writing of the various steps involved, with numerous letters issuing from

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the Credit Union during the period of the Complainant's dissatisfaction. In an attempt to resolve matters, two meetings with the Complainant were facilitated, the first with the Manager and the second one with two officers from the Board of Directors. The Complainant was given an opportunity to ventilate his grievances and the Credit Union attempted to resolve the issues raised, with an undertaking given to review the way in which telephone calls are conducted.

In sum, having considered the submissions advanced by both parties, and notwithstanding the Complainant's continued dissatisfaction with the treatment provided by the Credit Union, I take the view that the customer service extended to the Complainant was perfectly adequate. I am satisfied furthermore, that the Credit Union acted properly and professionally at all times, and accordingly I don't believe that there is any reasonable basis upon which it would be appropriate to uphold this complaint.

Conclusion

My Decision is that this complaint is rejected, pursuant to **Section 60(1)(d)** of the **Financial Services and Pensions Ombudsman Act 2017**.

The above Decision is legally binding on the parties, subject only to an appeal to the High Court not later than 35 days after the date of notification of this Decision.

**MARYROSE MCGOVERN
DIRECTOR OF INVESTIGATION, ADJUDICATION
AND LEGAL SERVICES**

29 May 2018

Pursuant to Section 62 of the Financial Services and Pensions Ombudsman Act 2017, the Financial Services and Pensions Ombudsman will publish legally binding decisions in relation to complaints concerning financial service providers in such a manner that—

(a) ensures that—

- (i) a complainant shall not be identified by name, address or otherwise,**
 - (ii) a provider shall not be identified by name or address,**
- and**

(b) in accordance with the Data Protection Acts 1988 and 2003.