

The complaint

Miss J complains that London Community Credit Union Limited (LCCU) failed to cancel her card on two occasions, resulting in fraudulent payments being taken from her account.

What happened

In May 2023, Miss J attended an LCCU branch to cancel a lost card. But the next day, Miss J saw it had been used. When she visited the branch again, LCCU admitted it had forgotten to cancel the card.

Miss J had to complete the relevant forms again. But her card continued to be used. This occurred over a bank holiday when the branch was closed for three days. When she returned to branch on the next day it was open, she found out her card still hadn't been cancelled.

Miss J complained to LCCU about what had happened. She said the fraudulent transactions should be refunded; the £5 lost card fee charged should be cancelled; and she should be compensated for her distress and inconvenience – as she'd been left without access to her account due to the delay. LCCU didn't reply, so she referred her complaint to our service.

When we contacted LCCU, it refunded Miss J for the transactions she had disputed. Our investigator recommended it should also pay interest on top of the refund, to compensate Miss J for the loss of use of the funds. And that it should pay her £150 compensation for her distress and inconvenience. But they thought the lost card fee had been charged fairly.

LCCU initially replied to the investigator's outcome saying it would "confirm once actioned". Our investigator asked LCCU to clarify if that meant it was accepting their outcome. That was in October 2023. Since then, despite sending several messages to LCCU, we've not received a reply. So, as we've advised both parties, the case has now been referred for a final decision.

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.

I'm satisfied the outcome suggested by the investigator is a fair and reasonable way to resolve this complaint. And our service has received no clear objections to what they recommended. So, I see no reason to depart from the investigator's outcome.

It's accepted that LCCU failed to cancel Miss J's card on two occasions. And that the card was then used fraudulently. LCCU has already refunded Miss J for the disputed transactions made using the lost card. But there was a significant delay in doing so. She reported her dispute in May 2023 – yet it didn't refund her until September 2023. So, she was left without these funds – totalling over £200 – for some time.

LCCU should have prevented these payments from being taken in the first place by cancelling the card when Miss J first asked. It also should have refunded them more promptly when she reported her dispute. To compensate Miss J for the loss of use of these funds, LCCU should pay 8% simple interest per year on top of the refund amount.

I also agree that LCCU's handling of this situation caused Miss J undue distress and inconvenience. She had to attend branch several times when she should have only needed to attend once. She was left without access to her LCCU card for longer than she should have, which was inconvenient for her (although I can see she was able to withdraw some cash from her account while waiting for the new card).

The investigator recommended LCCU should pay Miss J £150 compensation. Neither party has disputed that suggestion. So I agree with this compensation. On the evidence provided, I consider it a fair reflection of Miss J's distress and inconvenience stemming from LCCU's errors.

I also agree that the £5 lost card fee was applied fairly and in line with LCCU's account terms. As such, I'm not directing LCCU to refund this fee.

My final decision

For the reasons given above, I uphold this complaint. To put things right, London Community Credit Union Limited must:

- Pay Miss J 8% simple interest per year on top of the amount it has refunded for the fraudulent transactions, calculated from the dates of the disputed payments to the date the refund was paid (less any tax lawfully deductible); and
- Pay Miss J £150 compensation for her distress and inconvenience.

London Community Credit Union Limited must pay the compensation within 28 days of the date on which we tell it Miss J accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 11 April 2024.

Rachel Loughlin
Ombudsman