

The complaint

Mrs B complains that Shawbrook Bank Limited (“Shawbrook”) lent to her irresponsibly.

What happened

At the beginning of March 2018 Mrs B applied for a loan with Shawbrook. The loan was for £6,000 over a period of 36 months and the monthly repayments were around £200.

Shawbrook says at the time of the application, Mrs B declared her income as being between £20,000. Shawbrook didn’t ask Mrs B for details of her expenditure. It says it also carried out other automated checks and deemed that she could afford this loan.

Mrs B says she had a gambling problem at the time this loan was carried out and, had Shawbrook carried out proportionate affordability checks and reviewed her statements, it would have seen this and not lent to her. So she says this lending is irresponsible.

Our investigator didn’t think the complaint should be upheld. In short, she said that based on the information Mrs B had provided, it seems the loan was affordable. Mrs B didn’t agree so the complaint has been passed to me.

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. Having done so, I’ve reached the same outcome as our investigator and for similar reasons. I know this will come as a disappointment to Mrs B but I’ll explain my reasoning below.

the checks

Before lending money, a creditor should take steps to ensure that the consumer can afford to pay it back. So I’ve considered whether Shawbrook carried out proper affordability checks in this case.

Shawbrook has explained that this application was received via an online intermediary and, as such, it didn’t ask Mrs B for details of her income and expenditure itself. Shawbrook has confirmed that it carried out relevant checks to ensure that Mrs B could afford the monthly repayments but hasn’t explained to this service what those checks were. It has however been able to confirm that Mrs B declared an income of £20,000 at the time of the loan application.

This loan was for a significant amount over a period of three years – and would have been a significant financial burden to most people. So I would have expected Shawbrook to do more to check that Mrs B could afford the loan repayments over a longer term. The checks a lender must do are not prescriptive, but I would have expected it to review Mrs B’s income, expenditure and past repayment history as a minimum. Shawbrook may have done this but it hasn’t provided any evidence to this service - and I am only able to consider the information I’ve been provided.

So taking everything into account, I'm not satisfied that Shawbrook carried out proportionate checks for this loan.

the lending

I don't think Shawbrook carried out the checks it should have done when Mrs B applied for this loan – but that doesn't automatically make the lending unaffordable. As I don't think Shawbrook carried out proportionate checks, I have then considered whether I think it would have lent to Mrs B if it had.

Mrs B told Shawbrook her income was £20,000 – this would have given her a monthly income of around £1,400 - £1,500. And looking at her bank statements, I can see that for the three months leading up to the loan application, her monthly income was just under £2,000 per month.

I've then considered Mrs B's outgoings and what regular payments Mrs B was making at the time. Regular payments are payments which Mrs B was committed to making every month. Mrs B had two existing loans with monthly repayments totalling around £240. She also applied for another loan the same day with monthly repayments of around £165. While I can't be certain whether this information would have been available to Shawbrook had it carried out the appropriate checks, I have taken it into consideration. So Mrs B had monthly loan repayments of £405.

Mrs B has also told this service that her monthly contribution towards bills is £300. And I can see that she had an overdraft which included a monthly fee of £15 and had monthly charges. I also would have expected Shawbrook to include a small amount of extra income to ensure that Mrs B was repaying some of the debt on her overdraft each month. So taking all of this into account, it seems that Mrs B had regular monthly expenditure of around £1,000.

The loan repayments here were around £200 and reviewing the figures above, I think these loan repayments would have left Mrs B with between £200 and £800 disposable income each month, depending on the income figure used. So I think, had Shawbrook carried out proportionate checks, it's likely that it still would have lent to Mrs B.

Mrs B has said that, had Shawbrook checked her bank statements at the time she applied for this loan, she doesn't think it would have lent to her. But this was her only loan application with Shawbrook and Mrs B had a good repayment history with other lenders, so while I think it should have asked her for more information to check she could afford her monthly repayments, I don't think there was any reason for Shawbrook to ask for her bank statements.

Mrs B has explained to us that she was gambling significantly at the time of the loan application but there's no evidence she made Shawbrook aware of that at the time of the application and it's not a question I would expect a lender to ask every applicant as part of its credit and affordability checks.

So overall, while I think Shawbrook should have asked more questions about Mrs B's income and expenditure to check the loan repayments were sustainable, I'm satisfied that had these checks been carried out it's likely Shawbrook would have considered the loan to be affordable. So for these reasons, I won't be asking Shawbrook to refund the interest on this loan.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 15 May 2020.

Sara Falzon
Ombudsman