

## **The complaint**

Mr and Mrs L complain about the way Shawbrook Bank Limited dealt with their requests for payment deferrals and to convert their mortgage to an interest only buy to let. They ask that it applies a payment deferral from March 2020, in accordance with the regulator's guidelines, and agrees to switch the mortgage to an interest only buy to let mortgage.

## **What happened**

Mr and Mrs L took out a residential mortgage with Shawbrook in 2017. Their circumstances changed soon after. Mr and Mrs L have been living overseas since late 2017 for family reasons. Shawbrook granted them consent to let the property.

In late 2019 Mr and Mrs L asked Shawbrook for a payment holiday without adverse effect on their credit files as they were having difficulty meeting mortgage payments. They said they had to refurbish the property after evicting tenants that damaged the property and didn't pay rent. The request was declined. The mortgage account has been in arrears since December 2019.

Mr and Mrs L applied for a three-month payment deferral in March 2020, under guidelines for lenders issued by the regulator in response to the Covid-19 pandemic. Despite Mr and Mrs L contacting Shawbrook a number of times this wasn't confirmed until June 2020. In the meantime, Shawbrook recorded missed payments on Mr and Mrs L's credit files, meaning they were unable to look into re-mortgaging.

Shawbrook then applied the three-month payment deferral from April, rather than March 2020. It recorded a missed payment on Mr and Mrs L's credit files for March. Mr and Mrs L say there were also difficulties with their request for second payment deferral.

In May 2020 Mr L asked Shawbrook if they could convert the mortgage to buy to let as their family circumstances meant they'd be overseas for longer than expected. He contacted Shawbrook about this a number of times and both parties agree he was given incorrect and inconsistent information. In late November 2020 Shawbrook told Mr and Mrs L they needed to make a new mortgage application and should seek independent financial advice.

Shawbrook offered compensation of £100 in January, £100 in April, £50 in July, and £60 in November 2020 for the inconvenience and upset caused by delays and misinformation.

I sent a provisional decision to the parties setting out what I thought about this complaint. In summary, I said Shawbrook should adjust Mr and Mrs L's account as if it had applied the payment deferral from March 2020 and remove the missed payment recorded on their credit files. I said it should pay compensation of £400 to Mr and Mrs L, in addition to the £310 already paid, for the upset and inconvenience caused by its poor service.

Mr and Mrs L agreed. Shawbrook didn't agree saying it had concerns about the amount of compensation. It said while its service had fallen down an additional £200 would be more reflective and suitable for this complaint.

## **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.

### *The first payment deferral*

In March 2020, the UK entered a nationwide lockdown due to the Covid-19 pandemic. The Financial Conduct Authority (FCA) issued guidance to lenders in late March saying that no payments would need to be made towards a customer's mortgage for three months. This was later extended to six months. The payment deferrals were to be regarded by lenders as taken in exceptional circumstances and lenders shouldn't report them to a consumer's credit file.

Mr L called three times in the later part of March 2020 to ask for a payment deferral. I've listened to these call recordings. Mr L said the property had been refurbished and was ready to let, but this wasn't possible as Government restrictions meant no viewings. It was clear on the calls that Mr L wanted the payment deferral to start in March.

The payment deferral scheme required lenders to grant payment deferrals when they were requested with minimal checks and with ease. Shawbrook had to take what Mr and Mrs L said at face value and grant the payment deferral, unless it was clearly not in their best interests.

I don't think Shawbrook was fair when it didn't apply the first payment deferral from March 2020, as Mr and Mrs L requested.

Shawbrook said as Mr and Mrs L's payment was due on 9 March 2020 and they requested a payment deferral on 24 March it couldn't backdate the payment deferral. I don't think that's fair. Mr L had told Shawbrook in March they'd struggle with essential outgoings if they made the payment. Shawbrook said they could cancel the direct debit payment, but couldn't give advice about whether to do so or what the consequences might be for their credit files.

I appreciate that when Mr L spoke to it in March 2020 Shawbrook wasn't yet sure how the rules would apply in all circumstances. But I think it gave the impression the payment deferral would likely apply from March – as Mr and Mrs L requested. And in the final response letter it sent to Mr and Mrs L in April 2020 it said their "application is being reviewed for the months of March, April and May 2020".

It was three months before Shawbrook confirmed the payment deferral, despite Mr L calling a number of times. Shawbrook says this was due to a backlog of requests. I appreciate that Shawbrook was helping a lot of customers while itself having to operate within social distancing guidelines. However, I think Shawbrook could have dealt better with Mr and Mrs L's request. Mr L was given inconsistent information about the application. And Shawbrook should have taken what Mr and Mrs L had told it about their circumstances into account when it did finally process their request.

The regulator required Shawbrook to put the payment deferral in place with minimal checks and with ease. I can't see that the regulator's guidance prevented Shawbrook applying the payment deferral from March 2020 – and I think that would have been the fair thing to do. Mr and Mrs L were expecting the payment deferral to start in March and weren't told otherwise until June 2020.

I think Shawbrook should have applied the payment deferral from March 2020. It should rework Mr and Mrs L's account as if it had done so. And remove the missed payment from Mr and Mrs L's credit files.

#### *The monthly payment for September 2020*

The regulators guidelines said that borrowers could have payment deferrals for up to six months. Shawbrook applied the payment deferral to Mr and Mrs L's account from April to September 2020.

When Shawbrook adjusts the six-months payment deferral to start from March 2020 this would then end in August 2020 – meaning the contractual monthly payment would be deemed to be due in September 2020.

While Mr L told Shawbrook in August 2020 they were able to resume payments in September 2020, I can't see that they did make a payment in September 2020. I think that Shawbrook should give Mr and Mrs L the opportunity to make up the September 2020 payment, if they're able to do so. If, within 45 days of accepting this decision, Mr and Mrs L make an additional payment equal to the contractual monthly payment they missed in September 2020 Shawbrook should apply this to their account with effect from the date the payment was due and adjust the account accordingly.

I think Mr and Mrs L were caused upset and confusion by Shawbrook taking so long to confirm the payment deferral, and then applying it from April instead of March 2020. While they didn't make a payment in September 2020, this might have been because the payment deferral was in place for September 2020. In the circumstances I don't think it would be fair for Shawbrook to record a missed or late payment on Mr and Mrs L's credit files for September 2020 regardless of whether they make up the payment.

#### *The request to switch to a buy to let mortgage*

Shawbrook accepts that Mr and Mrs L requested a switch to buy to let on an interest only basis in May 2020 and spoke to it another 11 times before late November 2020. It also accepts they were given incorrect information that suggested their request was being dealt with. In fact, Mr and Mrs L needed to make a new application for a buy to let mortgage. Shawbrook said they should contact an independent financial adviser or broker to make the application. Shawbrook told them this in late November 2020 – six months after they'd first made the request.

I don't think it was reasonable or fair for Shawbrook to take six months to tell Mr and Mrs L they needed to make a new application. Shawbrook was aware that Mr and Mrs L were struggling to meet their monthly payments. They told Shawbrook they wanted to progress the switch to buy to let while the payment deferrals were in place, before they had to resume monthly payments.

I can't reasonably require Shawbrook to offer Mr and Mrs L a buy to let mortgage – they will need to make an application. But I think it's fair that Shawbrook pays compensation for the additional worry and upset the delay caused. If Mr and Mrs L make an application, it should consider it fairly.

#### **Putting things right**

Shawbrook responded to complaints from Mr and Mrs L about poor service, delays and misinformation in January 2020, April 2020 and July 2020. It offered £310 for things that it agreed went wrong.

I don't think this amount of compensation is fair and reasonable. In reaching this decision, I've taken into account:

- The amount of inconvenience and stress caused by the number of times Mr and Mrs L had to contact Shawbrook about their requests for a payment deferral and the buy to let switch.
- Mr and Mrs L were calling from overseas in a different time zone. They were given incorrect and inconsistent information on many calls. And they were dealing with the death of a close family member.
- The number of calls made (despite the inconvenience) demonstrates how worried Mr and Mrs L were about their mortgage payments, and their wish to improve the situation.
- Delays with the first payment deferral delayed Mr and Mrs L being able to apply for a second three-month payment deferral, causing them further worry.
- Mr and Mrs L were concerned about meeting contractual monthly payments when their payment deferrals ended. They wanted to progress switching to an interest only buy to let mortgage. Shawbrook's errors caused unnecessary delays with this.
- Mr and Mrs L said while they wanted to look into taking out a buy to let mortgage with another provider in mid-2020, they didn't feel this was possible until the payment deferral was confirmed and issues with their credit files resolved.

Shawbrook says a lower amount of compensation would be more suitable. It didn't explain its reasoning for this. When considering what compensation is fair, I need to take into account the effect an error has on the customers. After taking all the matters above into account, I think it's fair and reasonable in the circumstances to require Shawbrook to pay £400 compensation in addition to the £310 it has already offered.

### **My final decision**

My decision is that I uphold this complaint. I order Shawbrook Bank plc to:

- Apply the payment deferral from March 2020 and adjust Mr and Mrs L's account accordingly, and remove the missed payment recorded on Mr and Mrs L's credit files in March 2020.
- Adjust Mr and Mrs L's account as described above if they make an additional payment equal to the contractual monthly payment due in September 2020 within 45 days of accepting this decision. It should not record the payment due in September 2020 as late or missed.
- Pay £310 to Mr and Mrs L, as it has offered to do, less any amounts it has already paid.
- Pay £400 to Mr and Mrs L, in addition to the £310 mentioned above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Mr L to accept or reject my decision before 14 April 2022.

Ruth Stevenson  
**Ombudsman**