

The complaint

Mr P complains that Shawbrook Bank Limited was irresponsible in its lending to him.

What happened

Mr P was provided with a £8,000 48-month fixed sum loan by Shawbrook in January 2020. He says that at the time he had a poor credit rating and that had adequate checks taken place Shawbrook would have realised that his spending was higher than stated on his application. Mr P says he didn't include his payday loans in his credit commitments as he thought he only needed to include long term loans, but he says these would have been visible on his credit file. Mr P says that had adequate checks taken place, Shawbrook would have realised the lending wasn't affordable.

Shawbrook said that the loan was provided for consolidation reasons as well as additional funds. It said before lending to Mr P it carried out credit worthiness and affordability checks and Mr P met its required conditions. It said that it verified Mr P's stated annual income electronically and had a call with Mr P before the funds were released. It noted that Mr P had made his repayments without issues (aside from one month when he was two days late) and that the checks didn't show signs he was in financial difficulty. It said it wasn't aware of his gambling until Mr P raised his complaint.

Our adjudicator didn't uphold this complaint. She thought that Shawbrook should have taken more steps to build a clearer picture of Mr P's financial situation at the time. But found that had this happened there wasn't anything that would have meant Shawbrook should have considered the lending unaffordable.

Mr P didn't agree with our adjudicator's view. He said his bank statements showed he didn't have the money to make the repayments and that he was borrowing from family and friends on an ongoing basis. He said his gambling and use of high interest short term loans should have also raised concerns. Mr P reiterated that he didn't accept that Shawbrook had carried out adequate checks and said if it had done it would have realised the loan was unaffordable.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

As our adjudicator has explained, Shawbrook needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr P. The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of

the term, the frequency and amount of the repayments, the total cost of the credit, and what it knew about Mr P at the point of application.

I have looked at the information Shawbrook gathered and I think it should have carried out further checks to ensure the lending was affordable. I say this because Mr P's credit check showed he had four credit cards which were at or near the limit as well as another loan outstanding. While I note the reason stated for the loan was to consolidate three credit cards, it was also to provide additional lending so I think it would have been proportionate to ask further questions to get a clear understanding of Mr P's financial situation.

Shawbrook has said it verified Mr P's income, and I think this is reasonable. His bank statements showed his monthly income to be £1,756. But I think it would have been proportionate for Shawbrook to have found out more about Mr P's committed expenditure. I can't be sure exactly what Shawbrook would have found out if it had asked. While I do not think that Shawbrook was required to request copies of Mr P's bank statements, in the absence of anything else, I think it would be reasonable to place significant weight on the information contained in these as to what would most likely have been disclosed.

I've reviewed three months of bank statements leading up to the lending decision. These show that Mr P was paying towards his credit cards and other credit commitments. Aside from this he didn't have many substantial committed living expenses going through his account. While I note his comments about borrowing from family and friends and I can see this in the statements, it isn't clear what Mr P would have said about these arrangements if asked and I note they wouldn't show on his credit report and so Shawbrook would be reasonably aware of these. Having looked through the statements I can see that Mr P was on occasions making reasonably substantial payments towards his credit cards and so while I have considered these in terms of assessing his credit commitments I have also considered the required amount he would need to pay.

On balance, based on the information provided, and having consideration to what I think would have been identified had further checks taken place then I do not find that I can say these would have shown the lending to be unaffordable. I note Mr P's comments about his gambling but Shawbrook wasn't aware of this and as Mr P didn't disclose this, I do not find that I can say it should have been reasonably aware or taken this into account.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 17 November 2022.

Jane Archer
Ombudsman