

The complaint

A company which I'll refer to as N complains that Shawbrook Bank Limited (Shawbrook) delayed releasing their charge on its property.

In bringing this complaint, N is represented by its director who I'll refer to as Mr B

What happened

In September 2019 N completed a £785,000 12-month term loan with Shawbrook. The loan was secured on business premises owned by N. The term of the loan was extended a number of times after completion – including, in June 2021 when the date for repayment was revised to September 2021.

Mr B has told us that in October 2021 Shawbrook were informed of N's intention to sell part of the business premises. He said the bank responded to say the account was already overdue and a week later, Shawbrook issued a redemption notice to N requesting settlement of the loan within seven days.

N repaid the loan and after doing so, on 20 October 2021, N asked Shawbrook to release its charge. In that connection, on 29 October Shawbrook called N and spoke to Mr B. In the course of the conversation, the bank asked him to confirm with whom he'd refinanced. But Mr B said he didn't think that was a matter for the bank and gave details of a complaint he'd already made about N's treatment by Shawbrook. The bank employee noted Mr B's comments, apologised and agreed to escalate the matter.

On 8 December Shawbrook and Mr B had two conversations about the funds N had used to repay its loan. In the follow up to their conversations, on the same day Shawbrook wrote to N as follows:

"could you kindly confirm the source of funds? We were advised by you that you used personal funds to redeem the loan however, we would be grateful if you could confirm the nature of those personal funds".

Mr B responded by return saying:

"...for your simple query, I dipped into my savings to loan [N] and repay its loan after I was left with no option but to pay within a week. I hope this answers your query"

On 17 January 2022 in an e-mail to Mr B, Shawbrook asked him for documentary evidence showing the source of the funds used to settle N's loan. Mr B asked the bank to refer to the email he'd sent on 8 December 2021 which he believed addressed Shawbrook's query.

Towards the end of January 2022 N's solicitors asked Shawbrook for confirmation and proof their charge had been released. But the bank told them it hadn't yet done so because N had refused to provide proof of the source of the funds used to redeem its loan.

On 2 February 2022 Mr N provided evidence to the bank of the source of the funds and on 21 February 2022, the bank released its charge.

Mr B believed N was poorly served by Shawbrook and that the bank was responsible for delays in releasing its charge on N's property. Mr B believed that even though he'd given Shawbrook the information they'd asked for regarding the redemption funds, it was sometime later they eventually released their charge. Mr B felt the bank should pay £4,000 to N by way of compensation.

The bank addressed N's complaints in its Final Response Letter dated 13 May 2022. Shawbrook didn't think they were at fault and did not accept they were responsible for causing the delay for which Mr B said they were responsible. Shawbrook said that as part of their process to safeguard the bank and its customers against financial crime, they appropriately carried out various checks before releasing their security. And to that end, on 29 October, 8 December 2021 and 17 January 2022 they asked N to provide evidence showing the source of the redemption funds which N delayed providing.

Shawbrook did, however, acknowledge some poor service; but specifically, in relation to attempts to refund an overpayment that N had made to the loan. So, they paid N £50 to recognise the frustration that had been caused.

Mr B wasn't satisfied with the bank's response and referred N's complaint to this service.

Our investigator felt N's complaint should be upheld because he was satisfied Shawbrook had delayed removing their charge on N's property. He believed that on 8 December 2021 N had responded accurately to Shawbrook's actual request. And whilst, the response was not what Shawbrook was looking for, it wasn't until weeks later - on 17 January 2022 that the bank more accurately asked for the information it needed. More specifically, evidence to show the source of the redemption funds. He was persuaded that throughout that time, and to his inconvenience Mr B had to chase the bank, his solicitors as well as provide assurance to his buyer that the sale transaction was still going ahead. In the circumstances, therefore the investigator recommended Shawbrook pay an additional £150 – on top of the £50 they'd already paid to N.

Mr B accepted the investigator's recommendation. However, Shawbrook didn't agree the complaint should be upheld. They maintained their position that they did in fact ask Mr B for proof of the source of the funds, not just their origin. Shawbrook rely on phone calls noted above and their 17 January 2022 email when they said they simply asked for the same information again.

Since the matter has remained unresolved, the complaint has been referred to me for review and 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.

Delay in releasing the charge

Mr B asked Shawbrook to release its charge on their premises on 20 October 2020 after it had repaid its loan. This finally happened on 21 February 2022. On the face of it that does seem an unreasonably long time. So, I've considered what happened in the course of those four months to decide whether the bank was responsible for any delay.

I agree with Shawbrook that against the background of N's loan redemption they had certain regulatory obligations to perform in order to safeguard themselves and customers against financial crime. And to that end, I agree that by satisfying themselves as to where the funds came from to redeem N's loan Shawbrook were properly carrying out their obligation. I don't think it was unreasonable for the bank to ask Mr N for evidence to satisfy itself the funds it had used for the redemption of its loan came from a legitimate source.

It is Shawbrook's case that they did so on the occasions noted above. That is to say in phone calls to Mr B on 29 October and 8 December 2021, followed by their written request on 17 January 2022.

I have listened to the three phone calls Shawbrook referred to and have noted the following:

- In the 29 October phone call to Mr B, the bank asked him to provide details of who he'd refinanced with. So, there was no request for confirmation and/or evidence of the source of the funds. Mr B was concerned about his treatment by the bank and he explained his unhappiness to the employee. Mr N did not provide any evidence to show the source of the redemption funds because during the call he was not asked to do so.
- The bank twice called Mr B again on 8 December. In the first of the calls it was evident the information the bank wanted from Mr B was evidence to prove the source of the funds. And the bank employee tried repeatedly to explain that to Mr B. But it was also evident that Mr B had difficulty hearing and understanding what was being asked of him. And on a number of occasions he asked the bank employee to repeat what she'd said. After a number of attempts it did seem Mr B understood the request. But he went on to explain that he'd become suspicious whether he was dealing with Shawbrook and was uncomfortable providing information over the phone. He asked the employee to put the bank's request in writing, in an e-mail and promised he'd respond.
- The bank called back immediately – its second call - to ask for details of Mr B's e-mail address. The bank employee explained she would get the bank's head office to send Mr B an email so that he could then send the bank proof of the source of funds.
- I've already noted the actual request that followed afterwards when Shawbrook wrote to Mr B on 8 December 2021.
- Despite the contents of the calls on 8 December, I think having asked the bank to put the request in writing it was not unreasonable to expect the bank to set out its request clearly and accurately. The bank needed evidence to prove the source of the funds. But in its e-mail, that's not what was asked of Mr B. Shawbrook asked him for confirmation of the source of the funds. That was poor service and not least given the struggles Mr B had understanding the nature of the information the bank wanted from him when they spoke on 8 December 2021. Mr N responded accurately to what was asked of him and I don't think he was at fault in that regard.
- Furthermore, after it received Mr B's e-mail response, the bank didn't revert to him to correct the error it made in its written request as reasonably it should have done as soon as it received that response. It was some six weeks later on 17 January 2022

that the bank did so. In other words, when accurately it requested the information from Mr B that it needed all along.

- So, I'm persuaded Shawbrook made an error in their phone calls of 29 October 2021 and correspondence to N on 8 December 2021. The December error was not put right for around 6 weeks. In the circumstances that was an unreasonable delay which impacted the timeliness of the release of Shawbrook's charge.
- Mr A has explained that he was caused significant stress by what had happened. But I cannot compensate him personally for that, bearing in mind this is a complaint by N the limited company which cannot suffer stress.
- However, I am satisfied the bank's delay caused inconvenience to N as explained by the investigator. Furthermore, Mr B also had to correct the bank's incorrect assertion to its solicitors that it had refused to provide evidence to prove the source of the redemption funds.

Putting things right

I find that Shawbrook should pay N compensation for the inconvenience they caused to N. I've thought carefully about the facts of this case and the extent of the inconvenience I consider N suffered. Having done so I am satisfied that £150 is reasonable in the circumstances of this case.

My final decision

My final decision is I uphold this complaint. In full and final settlement, and for the reasons I have already given above I require Shawbrook Bank Plc to pay N £150 for inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 2 December 2022.

Asher Gordon
Ombudsman