

The complaint

Mrs N complains that Shawbrook Bank Limited was irresponsible in its lending to her.

What happened

Mrs N says that she only recently realised that lenders were required to carry out checks to ensure she could afford the repayments without taking on further debt. She didn't think that Shawbrook carried out adequate checks before lending to her and said that at the time the loan was provided she had a poor credit history and several other debts outstanding.

Shawbrook issued a final response letter dated 30 June 2023. It said that Mrs N applied for a £16,000 loan on 4 January 2018 repayable over 54 months. Its underwriting team called Mrs N to ask the purpose of the loan and she said it was to consolidate her debts being her overdraft, two loans and three credit cards. It said that the lending wasn't providing new funds but instead managing Mrs N's existing debts. It said that affordability checks were carried out based on the information provided at the time of application and Mrs N met its lending criteria.

Our investigator thought that Shawbrook could have gathered further details to ensure it had a clear understanding of Mrs N's financial circumstances at the time of the loan. He found that had Mrs N's income been verified it would have supported the amount Mrs N had declared. He noted that Mrs N had several other debts at the time, but these were generally being managed well. He considered the costs involved in the new loan compared to the debts Mrs N was consolidating and he didn't think that Shawbrook was wrong to provide this loan.

Mrs N didn't accept our investigator's view. She reiterated that she didn't think that Shawbrook had carried out adequate checks before the loan was provided and noted her credit file showed she had missed payments and had two previous defaults. She said she used the money to consolidate some debts but it wasn't enough to consolidate all of her debts and while the Shawbrook loan may have reduced her credit costs, it was still unaffordable. She provided further evidence to support her position that the loan shouldn't have been provided.

The additional information provided didn't change our investigator's view and as a resolution hasn't been agreed this complaint has been passed to me, an ombudsman, to issue a 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.

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.

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, and the total cost of the credit.

Shawbrook gathered information from Mrs N through the application process and based on this it said Mrs N met its lending criteria. I have looked at the information gathered and can see that Mrs N declared an annual income of £52,000. The credit check showed that Mrs N had two defaults, but these were historic (from 2014) and she was generally managing her credit commitments well. That said, the check showed she had several debts outstanding including a mortgage, loans, credit cards and overdrafts. Given this I think that Shawbrook was required to carry out further checks to ensure it had a clear understanding of Mrs N's financial circumstances.

Mrs N declared an annual income of £52,000. Given the size and term of the loan and noting Mrs N's existing credit commitments I think it would have been reasonable to have verified Mrs N's income. I have looked through the bank statements Mrs N has provided and based on these, I find that verification would have confirmed Mrs N's declared income.

Mrs N had several debts outstanding. Shawbrook called Mrs N when she applied for the loan to understand the loan's purpose. Mrs N said the loan was for debt consolidation and noted consolidating her overdraft, two loans and three credit cards. It is important to take this into account and to note that this loan wasn't intended to provide Mrs N with additional new lending but instead was consolidating existing debt.

I have looked through Mrs N's bank statements and the additional information she has provided as well as the information gathered through Shawbrook's credit checks. The Shawbrook monthly loan repayments were around £374. This loan was used to repay Mrs N's overdraft, two loans and three credit cards. Noting the amounts that she was previously paying for these existing debts, consolidating into the new Shawbrook loan would have reduced her monthly repayments. Given this it appears that the new loan was to Mrs N's benefit.

Mrs N has said that although the Shawbrook loan reduced her costs it was still unaffordable. Mrs N's monthly income was around £3,000. She has said that her husband paid certain costs which I think she would have explained had she been asked. After the consolidation of her debts she still had outstanding debts which she has noted as car finance, two loans and credit card debts. While I note these accounted for a significant amount of her income, I do not find I can say that these, alongside the additional regular expenses I have noted from her bank statements show that the new Shawbrook loan was unaffordable. So, while I note that after the debt consolidation Mrs N was still paying a substantial amount for her credit commitments, given the Shawbrook loan reduced her outgoings I find in this case that I cannot say Shawbrook acted irresponsibly by providing the loan.

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 Mrs N to accept or reject my decision before 29 December 2023.

Jane Archer
Ombudsman