

The complaint

Miss N complains that Shawbrook Bank Limited (“Shawbrook”) extended the term of her loan without her consent and that they didn’t provide an adequate explanation.

What happened

Miss N took out a loan with Shawbrook in March 2017. Repayments were scheduled over eight years, but Miss N was subsequently surprised to learn that the term had been extended by 16 months.

Shawbrook didn’t provide their final response on time, so Miss N referred her complaint to this Service. Shawbrook then explained that the term had been extended because Miss N had taken two three-month payment holidays and the interest accrued on those and on the principle balance meant there was now more to pay. The term had, therefore, been extended in line with the terms of her payment holiday. They accepted that their agent had provided confusing information during a call Miss N had with them in January 2024 where Miss N had wrongly been advised that the original term was nine and not eight years. They paid Miss N £100 to compensate her for the distress and inconvenience caused.

Our investigator didn’t think that was enough and suggested they should pay £250.

Shawbrook thought that was excessive and they asked for a decision by an ombudsman.

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.

I don’t think Shawbrook have adequately compensated Miss N for the distress and inconvenience caused. I’ll explain why.

Where the information I’ve got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point, it’s not because I’ve failed to take it on board and think about it but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

I think Shawbrook have now provided an adequate explanation about why the term of Miss N’s loan has been extended. They clarified that two, and not one, three-month payment holiday had been taken and they explained that, in those circumstances, the missed payments are deferred to the end of the agreement and interest is attracted on those missed payments and on the principle balance.

But I think Shawbrook made mistakes here and I think those mistakes caused Miss N some distress and inconvenience. They failed to provide a response in time to the complaint

Miss N made to them in January 2024; they confused Miss N on the January 2024 call when they suggested the original term was longer than it was; and they failed to explain why the term had been extended on calls Miss N had with them in August 2023, and in January 2024 and were wrong to lead Miss N to believe there had only been a three-month payment holiday.

In the circumstances, I think Shawbrook should pay Miss N £250 to compensate her for the distress and inconvenience caused. They may deduct £100 if they've already paid that.

My final decision

For the reasons I've given above, I uphold this complaint and tell Shawbrook Bank Limited to pay Miss N £250 to compensate her for the distress and inconvenience caused. They can deduct £100 if they've already paid that.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 19 September 2024.

Phillip McMahon
Ombudsman