

## **The complaint**

Mrs C complains that Shawbrook Bank Limited has terminated her loan agreement and recorded a default on her credit file.

## **What happened**

Mrs C agreed a loan of £7,000 from Shawbrook Bank in April 2022. There were issues with the monthly repayment of £162.45 and Mrs C didn't make all of the repayments that were due. Shawbrook Bank defaulted her account and terminated the loan agreement in November 2023. Mrs C paid the full amount owing to Shawbrook Bank in December 2023 but made a detailed complaint to it about what had happened. She said that: if she'd received texts to say that payments had been missed, she would have made payment; if she'd received an earlier letter to notify her of the default or missed payments, payment would have been made or she would have been in contact with Shawbrook Bank at that time; she was receiving regular texts telling her that her direct debit was scheduled; there were sufficient funds to cover the missed payments; and no missed payments were showing on her credit file.

Shawbrook Bank upheld part of Mrs C's complaint. It said that it shouldn't have offered an early settlement to Mrs C in December 2023 as her account had been terminated. It said that it had arranged for £50 of compensation to be paid for its error. But it didn't hold the other points about which she'd complained. Mrs C wasn't satisfied with its response so complained to this service. Her complaint was looked at by one of this service's investigators who, having considered everything, didn't think that it should be upheld. He felt that Shawbrook Bank had acted fairly as the direct debit failure wasn't related to Shawbrook Bank and it communicated multiple times using multiple methods to inform Mrs C of the arrears.

Mrs C then said that a credit reference agency classed late and missed payments differently, the text messages from Shawbrook Bank saying that payments were "scheduled" were confusing as they suggested that it was taking payment, and Shawbrook Bank used an incorrect date in the letter that it sent to her on 28 November 2023. The investigator said that, having considered everything afresh, he was satisfied that his original outcome was fair and reasonable. Mrs C didn't agree with the investigator's recommendation and asked for her complaint to be considered 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.

Mrs C had missed some payments before June 2023 and she says that she regrets having missed payments and should have ensured that funds were transferred to her current account to cover payments on time. There doesn't seem to be any dispute that two loan repayments due after May 2023 were made late and that the repayments due in September, October and November 2023 weren't made. Shawbrook Bank says that the direct debit failed in June 2023 and it had no authority to reset it.

Shawbrook Bank has provided evidence to show that it sent Mrs C a text message to inform her that her June 2023 payment had been missed and that it was contacted by Mrs C on 5 July 2023 when she made a payment of £162.45. That evidence also shows that it sent text messages to Mrs C in July, August and September 2023 because she hadn't made the payments that were due and that Mrs C contacted it on 11 September 2023 to make another payment of £162.45. There was then no further payment made by her until after her agreement had been terminated.

It looks to me as though the last direct debit payment that was made by Mrs C to Shawbrook Bank was in May 2023. Mrs C received text messages each month telling her that her payment was scheduled but no direct debit payment was collected from Mrs C after May 2023. It also looks to me as though text messages weren't sent to her about the payments that she missed after September 2023, but Mrs C had agreed to pay £162.45 each month to Shawbrook Bank and it was her responsibility to make sure that the payments were made.

Given the issues that there had been with her payments, I consider that it would be reasonable to expect Mrs C to have checked that her loan repayments had been made to Shawbrook Bank. Shawbrook Bank hasn't explained why it didn't send payment reminder text messages to Mrs C after September 2023 but it then sent her the letters that are described below. I'm not persuaded that there was any requirement for it to send text messages to Mrs C and I consider that she ought reasonably to have known that she hadn't made the required payments to Shawbrook Bank and that her account was in arrears.

An arrears letter was sent to Mrs C on 11 August 2023 which said that her account was £162.45 in arrears and a notice of sums in arrears was sent to her on 26 August 2023 which said that her account was then £324.90 in arrears. Another arrears letter was sent to Mrs C on 29 August 2023. Shawbrook Bank sent a default notice to Mrs C on 27 October which said that her agreement was £487.35 in arrears and that she needed to pay that amount by 23 November 2023. Mrs C says that she didn't receive any of those letters but Shawbrook Bank has provided copies of the letters that it sent and I can see that they were properly addressed (using the same address that it used for letters that Mrs C has accepted that she received).

By sending those letters to Mrs C, I consider that Shawbrook Bank fulfilled its obligation to give the required notices to her about the payments that she hadn't made, even if she didn't receive those letters. But I'm not persuaded that it's likely that four properly addressed letters, sent over a period of three months, wouldn't have been received by Mrs C.

Mrs C didn't take the action required by the default notice so Shawbrook Bank sent letters to her on 28 and 29 November 2023 telling her that she was in default and her agreement had been terminated. The 28 November letter said that her agreement had been terminated: *"...because you have not met the remedy conditions set by the Default Notice by 25 Dec 2023"*. It's clear that the reference to 25 December 2023 was an error as it was a date in the future and wasn't the date referred to in the default notice.

Mrs C says that she received the default letter on 5 December 2023 and that she phoned Shawbrook Bank that day. Shawbrook Bank's evidence shows that Mrs C was looking to pay-off the loan and it said that she could pay £6,011.41 within the next 28 days. That was confirmed in a letter that was sent to Mrs C two days later. But that was an early settlement quote which shouldn't have been given to Mrs C as her agreement had been terminated with an outstanding balance of £5,948.07. Shawbrook Bank accepts that it shouldn't have offered an early settlement to Mrs C at that time. It said that it had arranged for £50 of compensation to be paid for its error. Mrs C paid £5,948.07 to repay her loan on 12 December 2023 and her loan account was then closed.

I consider that Shawbrook shouldn't have given an early settlement figure to Mrs C in December 2023. It accepts that it made an error and I consider that its offer to pay her £50 compensation was a fair and reasonable response to the error that it had made. I've seen no evidence to show that it has paid that compensation to Mrs C. If it hasn't done so and Mrs C now wants to accept that offer, I suggest that she contacts Shawbrook Bank to see if the compensation remains available to her.

It's clear that Mrs C feels very strongly that Shawbrook Bank has acted incorrectly in its dealings with her about her loan and she says that she wants it to remove the default from her credit file. Shawbrook Bank is required to record true and accurate information about Mrs C's loan repayments to the credit reference agencies. Mrs C says that her credit file is showing late payments and that there's a difference between late payments and missed payments. But the credit report showing late payments is from 5 November 2023 and her account has been defaulted since then.

Mrs C didn't make the payments that she'd agreed to make which led to her account being defaulted. I'm not persuaded that there's enough evidence to show that Shawbrook Bank acted incorrectly in connection with Mrs C's missed payments or in defaulting her account. And I'm not persuaded that there's enough evidence to show that the information that Shawbrook Bank has recorded on Mrs C's credit file isn't a true and accurate record of her loan repayments and her account history.

Other than its error about the early settlement figure, I'm not persuaded that Shawbrook Bank has acted incorrectly in any material way in its dealings with Mrs C about her loan. I appreciate that this will be disappointing for her, but I find that it wouldn't be fair or reasonable in these circumstances for me to require Shawbrook Bank to remove the default from her credit file or to take any other action in response to her complaint.

**My final decision**

My decision is that I don't uphold Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 29 October 2024.

Jarrold Hastings  
**Ombudsman**