

The complaint

Mr B complains that Shawbrook Bank Limited registered a default against him when his loan account fell into arrears. He's also unhappy that the debt was sold to a third party and payments he's made to Shawbrook haven't been credited to his account.

What happened

In February 2019 Mr B took out a fixed sum loan agreement with Shawbrook. The loan was for £25,000 repayable over 5 years with monthly payments of £547.23.

In March 2020 Mr B contacted Shawbrook and advised that he was experiencing financial difficulties because he'd stopped working due to his job being affected by the pandemic. Shawbrook agreed a payment holiday with Mr B.

I can see from the information provided by Shawbrook that once the payment holiday ended, no further repayments were made by Mr B.

On 4 November 2022 Shawbrook issued a default notice. The notice required Mr B to make a payment of £13,407.02 by 2 December 2022. The notice also stated that Shawbrook intended to register a default with the credit reference agencies if the arrears weren't paid in full or if Mr B failed to arrange an acceptable payment plan by 2 December 2022.

On 11 November 2022 Mr B contacted Shawbrook and agreed a payment plan for 3 months at £187 per month. Mr B continued to pay £187 per month after the plan ended in January 2023.

On 2 April 2023 Shawbrook wrote to Mr B and referred to the previous default notice. It said that because Mr B hadn't responded to the notice, the whole of the balance under the agreement was payable immediately and they were transferring the account to a third-party debt collection agency, but that it may still be possible to agree a repayment plan.

On 11 April 2023 Mr B contacted Shawbrook and agreed a payment plan for 12 months at £187 per month.

On 3 April 2024 Shawbrook wrote to Mr B and said he'd made the agreed payments, but the account was still in arrears. Shawbrook asked Mr B to contact them within 10 days.

On 26 April 2024 Mr B contacted Shawbrook to discuss a payment plan but there was no one available to help with this and a call back was agreed for the following day.

On 27 April 2024 Shawbrook tried to call Mr B outside of the times he'd agreed with them, and they weren't able to speak to him.

On 4 May 2024 Mr B called Shawbrook. He was unhappy that his account had been defaulted and that he hadn't been able to set up a new repayment plan and hadn't received the call back he'd been promised.

On 22 May 2024 Mr B contacted Shawbrook again. He complained that he'd received

correspondence from a third-party debt collection agency. He was also unhappy that his account had been transferred to a debt collection agency and that a payment made to Shawbrook on 15 May 2024 wasn't showing on his account.

Shawbrook issued a final response on 7 June 2024. It said it wasn't upholding the complaint and that the account had been correctly defaulted. It said that although Mr B had contacted them on 26 April 2024, this was more than the 10 days they had given him to contact them. Shawbrook also said that they had tried to contact Mr B as promised on 27 April 2024, but the call was unsuccessful, and the account had been transferred to the debt collection agency on 1 May 2024. Shawbrook said the payment made by Mr B on 15 May 2024 had been received and had been forwarded to the debt collection agency to be added to the account.

Mr B remained unhappy and complained to this service. He wants the default removed, the missing payment to be credited to his account and compensation for the distress and inconvenience caused to him.

Our investigator upheld the complaint. He said he didn't think Shawbrook had acted fairly when it defaulted the account in April 2023 because Mr B had set up a payment plan and maintained payments. In relation to the payment that Mr B made on 15 May 2024, the investigator said he was satisfied that Shawbrook had passed these funds on to the debt collection agency. The investigator said that Shawbrook should remove the default and pay Mr B compensation of £100 for the distress and inconvenience caused.

Shawbrook didn't agree. It said the account had been correctly defaulted and that it was unable to remove the default because the account had been off boarded to a third-party debt collection agency.

Because Shawbrook didn't agree I've been asked to review the complaint.

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've reviewed all of the available correspondence that Shawbrook sent to Mr B regarding the account. I can see that the default notice was sent to Mr B on 4 November 2022. At that time, the account was in arrears of £13,407.02, which was 24 months of arrears. I appreciate that a payment holiday had previously been agreed with Mr B which accounts for some of this time, but based on what I've seen, I think Shawbrook allowed the account to fall into much more significant arrears than it should've done. The relevant ICO principles state that a default should be registered where a consumer is at least three months behind with payments, and the same principles state that it's expected that a default will have been registered by the time a consumer is six months in arrears. So, in this case, I think Shawbrook should've taken action to default the account much sooner than it did.

I can see that when Shawbrook sent the default notice to Mr B in November 2022, he contacted them and agreed a payment plan within the timescale specified in the default notice. The default notice states that Shawbrook will only register a default if Mr B failed to pay the arrears in full or if he didn't arrange a payment plan by 2 December 2022. Mr B agreed a payment plan on 11 November 2022, so he had complied with the terms set out in the default notice.

I can see that Mr B made all the payments due under the payment plan. When the plan ended, Mr B continued to make the same payments. When Shawbrook contacted Mr B on 2

April 2023 it referred to the default notice and said Mr B hadn't responded to it and that the whole balance under the agreement was payable immediately. Following this, Shawbrook registered a default. However, I don't think Shawbrook treated Mr B fairly at this point. Firstly, Mr B had responded to the default notice because he had contacted Shawbrook and set up a payment plan and maintained payments under that plan. Further, Mr B contacted Shawbrook in response to the letter dated 2 April 2023 and set up a further payment plan. Because of this, I don't think Shawbrook acted fairly when it defaulted the account and registered the default with the credit reference agencies.

I therefore uphold this aspect of Mr B's complaint.

I've thought about Mr B's concerns about the payment he made on 15 May 2024. Mr B has said that this payment hasn't been applied to his account. Shawbrook has told this service that the payment was passed on to the debt collection agency and applied to the account. I've reviewed the account and I'm satisfied that the funds were passed on and applied. So I won't be asking Shawbrook to do anything further about this aspect of the complaint.

Putting things right

To put things right, Shawbrook Bank Limited must:

Remove the default from Mr B's credit file (or liaise with the debt collection agency to ensure that the default is removed)

Pay compensation of £100 to Mr B for distress and inconvenience

My final decision

My final decision is that I uphold the complaint. Shawbrook Bank Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 March 2025.

Emma Davy
Ombudsman