

The complaint

Mr S complains that Shawbrook Bank Limited was irresponsible in its lending to him.

What happened

Mr S was provided with a £25,000 loan by Shawbrook in March 2022. The loan term was 84 months and Mr S was required to make monthly repayments of around £405.

Mr S said that Shawbrook used his business accounts to assess his income even though this was a personal loan. He said he was struggling financially at the time and was in a new business meaning his income was variable. He said that he was asked to provide copies of his tax returns, but he couldn't provide these due to the business being new, so it asked to see his bank statements instead. He said the lending decision was based on his business bank statements which didn't reflect his income and he explained he was a partner in the business.

Mr S said that adequate checks weren't carried out into his personal income and that had they been Shawbrook would have seen he had a low income and was receiving universal credit. He said the loan repayments were unaffordable and he has struggled to make them and needed to use his overdraft and credit cards to pay for basic living costs.

Shawbrook issued a final response to Mr S's complaint dated 12 April 2024. It said it had reviewed Mr S's application and based on the information Mr S provided and its lending criteria at the time, the decision to accept the loan was correct. It explained that it assessed Mr S's application using credit scoring and carried out affordability checks based on the information Mr S provided. It noted that Mr S's application was referred for additional checks to verify his income and he was asked to provide six months of bank statements. It noted Mr S's comment about it relying on his business bank statements but said these were the statements he provided. It also had a call with Mr S on which he confirmed the loan to be affordable.

Mr S referred his complaint to this service.

Our investigator noted the checks carried out before the lending was provided and that the loan was intended in part for debt consolidation. She could see that steps had been taken to verify Mr S's income including looking at his business bank statements. She noted that the business was a limited company and so she didn't think its statements would show Mr S's personal income and expenditure therefore she didn't think reasonable checks had been carried out.

Our investigator considered what reasonable and proportionate checks would likely have identified. Having done so she thought that further checks would have shown the loan to be affordable for Mr S.

Mr S didn't agree with our investigator's view. He reiterated that he didn't think that Shawbrook should have considered his business bank statements when he was applying for a personal loan. He provided further details of his outgoings and said that he had struggled

to maintain a clean credit report, but the Shawbrook loan had put him under further pressure. He disagreed with our investigator's assessment of his disposable income.

Our investigator responded to Mr S's comments but as these didn't change her view, this case 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.

Mr S was provided with a substantial loan that required monthly repayments over 84 months. Given the size and duration of the loan we would expect thorough checks to be carried out to ensure the loan was affordable. Before the loan was provided, Shawbrook gathered information about Mr S's employment, income and residential status and carried out a credit check. Mr S declared that he was a self-employed company director with a gross annual income of £50,000 and that he was an owner occupier.

The credit check showed he had existing credit accounts including credit card, loan and mortgage accounts. Mr S had no recent adverse information recorded and appeared to be managing his accounts well. A call was made, and Mr S said that the loan was for debt consolidation, and he noted the loan he intended to repay, with the remainder being for renovations on his house that he intended to sell.

I do not find the checks carried out raised any concerns but given the size and term of the lending I think it reasonable that Mr S's application was referred for manual underwriting so that his income could be verified.

Mr S has explained that while he was asked for copies of his tax returns to verify his income due to his business being new he couldn't provide these. He was therefore asked to provide copies of his bank statements. Mr S provided copies of his personal and business account statements. Shawbrook considered these in its assessment. However, as this loan was a personal loan for Mr S, and the business statements are for a limited company, I find that the assessment should have focused on his personal accounts and any other evidence (which could have come from the business accounts) supporting his personal income.

Therefore, I have looked through the information to understand what an assessment focussed on Mr S's personal income and expenses would have identified. Mr S has provided copies of his personal account and joint account statements. His personal account statements show his income from his business and the joint account shows receipts for child benefit and universal credit, as well as a payment from his business. I note Mr S's comment about the receipt of universal credit, but this doesn't mean that credit shouldn't be provided, and it is reasonable that this income would be included in an assessment.

Looking at the months leading up to the Shawbrook loan application, the income into Mr S's accounts (personal and joint) averaged around £3,000. Mr S was making regular payments

for his mortgage (£742) and other credit commitments. Mr S said that he intended to repay one of his loans with the Shawbrook loan so I find it reasonable that this would be removed from the calculations. Based on Mr S's statements and other available information, this would leave his payments towards his loans and revolving credit accounts of around £580. Mr S also made regular payments for costs such as utilities, insurances, and media/communications contracts which averaged around £530 a month.

Deducting the above outgoings from Mr S's income would leave enough disposable income for Mr S to make the Shawbrook repayments as well as leaving a reasonable amount of disposable income to cover other general living costs. Therefore, while I have explained that I think the checks should have focused on Mr S's personal accounts, I find that had this happened, it would still have been reasonable to consider the loan as affordable for Mr S. Therefore, I do not uphold this complaint.

I've also considered whether Shawbrook acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether its relationship with Mr S might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Shawbrook lent irresponsibly to Mr S or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

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 Mr S to accept or reject my decision before 2 May 2025.

Jane Archer
Ombudsman