DRN-5403815

The complaint

Mrs T complains that Shawbrook Bank Limited lent to her irresponsibly twice in 2017.

What happened

Mrs T took two loans. They were for debt consolidation purposes.

Loan	Approved	Amount	Terms	Repayments (rounded)	Repaid
1	12 July 2017	£15,000 Total charge for credit £3,088	60 months	£301 /month	
2	5 November 2017	£6,400	60 months	£138 / month	

Loan 1 had a fixed rate of interest each year of 7.6%. Loan 2 was at 10.7% fixed rate each year. Both loans got into arrears in April 2020 and were sold to a third party debt collector in May 2020.

After Mrs T had complained, Shawbrook responded with its final response letter in which it gave reasons why it considered it had carried out the correct checks before lending. It had recognised at the time that the loans were for debt consolidation and were being used to settle other financial commitments in order to put Mrs T in a better financial situation. Mrs T referred her complaint to the Financial Ombudsman Service.

In relation to the merits of the complaint, one of our investigators looked at it and considered that both loans ought not to have been approved by Shawbrook for Mrs T. The main reason was the continued use of her overdraft in the bank statements he had reviewed.

Mrs T agreed with our investigator's outcome. Shawbrook responded by making submissions surrounding jurisdiction (see the next paragraph) but has not responded in respect of the merits view sent by our investigator.

The unresolved complaint was passed to me to decide. After I had reviewed it I asked Mrs T for additional information surrounding transfers from her current account to another account. This was sent to me – thank you. And then on 1 May 2025 I issued a provisional decision giving reasons why I considered that the complaint should not be upheld.

Shawbrook responded to say it had nothing further to add. I had asked it for copies of the recorded calls from 2017 and it did not have any recordings to send me due to the passage of time. It referred me to the contemporaneous account notes on which I have relied.

Mrs T responded in detail. She disagreed with my provisional decision for both loans and has re-sent to me copy bank statements and various submissions, all of which I have read.

Mrs T sent to me two excel spreadsheets demonstrating her debt and costs in 2017 and that the loans were unaffordable.

In response, I sent to Mrs T copies (redacted) of the credit search results Shawbrook had obtained for both loans.

What follows is a duplicate of my provisional decision, followed by my additional findings.

What I provisionally decided on 1 May 2025 – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Preliminary point on jurisdiction

On 21 February 2025 Shawbrook wrote to us to say it wanted to challenge the investigator's view on jurisdiction. Our investigator had already issued a jurisdiction view on 31 December 2024 to say that the two loans were within our jurisdiction having considered the six years and three years rules within the Financial Conduct Authority DISP 2.8.2R.

On 23 January 2025 Shawbrook responded to that view on jurisdiction saying that it did not necessarily agree with that outcome but it accepted that 'it would be difficult for us to provide any evidence of significant weight to counter your findings.' And so as not to hinder the progression of the case Shawbrook added 'we will not request an Ombudsman's ruling on the jurisdiction issue and consent to its consideration.'

After our investigator had sent his first and second views in relation to the merits of the complaint in early February 2025, Shawbrook altered its approach and made multiple submissions as to why it considered there was evidence to show that Mrs T was aware, or ought reasonably to have become aware of her cause for complaint. So, it wanted to challenge the jurisdiction point.

However, our investigator explained that once consent is given it cannot be withdrawn. Shawbrook has not responded since then but I consider that this ought to be addressed. For clarification's sake I set out here that rule DISP 2.8.2A R:

> *'If a respondent consents to the Ombudsman considering a complaint in accordance with DISP 2.8.2 R (5), the respondent may not withdraw consent.'*

Having reviewed the correspondence and sequence of events, I agree with our investigator's application of that rule and it seems the position on jurisdiction must stand. I've reviewed the complaint on the merits. I've decided to issue a provisional decision.

The merits of the irresponsible lending complaint

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance, and good industry practice - on our website.

Shawbrook needed to make sure it didn't lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mrs T could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to do be done if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

In Mrs T's complaint form she confirms that in November 2017 (at the time of loan 2) her take home pay was £2,549 (rounded figure). Mrs T also says that her priority bills cost excluding food, fuel and clothing was £1,547 each month and then she had £968 each month for debt payments. So, she had around £32 a month left over.

Shawbrook said in its FRL that it has 'underwriters who will manually review applications where any details submitted by the consumer or found during the credit score check give us reason to look into things further.' This is a reasonable approach. And Shawbrook confirmed that Mrs T's applications were both reviewed by underwriters. This demonstrates to me that Shawbrook considered there was a reason to look into things further.

Loan 1

For Loan 1 Shawbrook said that it was aware of Mrs T's other credit obligations but using her declared income of £45,500 a year before tax these were manageable. Shawbrook said her 'debt to income ratio' was '*within our lending parameters'.* And it had calculated that Mrs T had a monthly disposable income of £1,609 after all her credit commitments including her mortgage had been accounted for. So, it seems that Shawbrook had calculated that her total monthly credit commitment costs were around £940. I reached a broadly similar figure (£1,107) using the Shawbrook information it obtained in July 2017. I outline that later in this decision.

The account notes for the loan application and management together with the credit search Shawbrook carried out when Mrs T applied for the loan have been provided to us and I have reviewed them.

I note that Shawbrook made a '*care call'* to Mrs T on 12 July 2017 and was informed by Mrs T that the purpose of the loan was for consolidation and it was '*OK to proceed'*. Her income was verified using an on-line credit reference verification process and in any event Mrs T does not appear to dispute the income figure used by Shawbrook for both the applications. And Mrs T's figure of £2,549 (net) each month looks about right for a declared annual gross salary of £45,500.

As Mrs T had said in her application that she had been at her current address for only four months Shawbrook did a credit search against both old and new addresses. I have seen both sets of results.

Using the Shawbrook credit report from July 2017, Mrs T had as follows:

- credit card opened in 2014 with a limit of £175 and her outstanding balance was £174.
- credit card opened June 2017 with a limit of £900 and no current balance.
- a credit card opened December 2015 with a limit of £9,000 the outstanding balance being £8,889.
- a loan opened 1 May 2017 for £648 with a repayment each month of £27
- the usual utility and communications accounts - £66 +£42 (telecoms cost unknown)
- a mortgage from March 2017 (the previous one having closed around the same time) for £128,530 with repayments of £478 each month.
- a loan opened 14 October 2016 for £600 with a repayment of £25 each month.
- a loan opened 26 August 2016, the balance in July 2017 was £15,682 and the repayments were £301 each month.
- a hire purchase agreement opened in August 2016 costing £57 each month.
- a mail order account where the current balance was £838 with some history of poor payments in the past but not recent records of that nature.
- a current account with an overdraft facility of £2,000 and the outstanding balance

was £1,444.

Shawbrook also had information about her husband's credit commitments which indicated that Mrs T's mortgage was a joint one so it was within the remit of reasonableness to consider that the £478 monthly mortgage payment was shared – so £239 each month.

From this research I have calculated that Mrs T's credit commitments were around £1,107. And this would be allowing for half the mortgage cost, and 3% of outstanding balance as a minimum monthly repayment for the mail order account and the outstanding credit cards on which there was a balance (around £300 each month for all three accounts). I have no figure from these credit searches for the telecoms account but I've allowed £50 each month. This £1,107 a month figure (approximate) would not include a monthly cost for the overdraft as that information is not available and usually there is no fixed sum for the repayment of overdrafts. They are a different form of credit.

As I outlined earlier, Shawbrook appeared to have reached a broadly similar figure.

And having seen all that it did I consider Shawbrook carried out proportionate checks. Using Mrs T's figure for her net monthly salary of £2,549 then the credit commitments outlined above (£1,107) plus the new loan repayments of £301 would look to have been affordable to Mrs T. And still Mrs T would have had money left over for other costs such as food and fuel.

And I factor in the fact that on the 'care call' Mrs T had – according to the Shawbrook account notes - told Shawbrook that the £15,000 was for debt consolidation. So, it's not unreasonable of it to have considered that her monthly repayments would have reduced further having paid off some of the other debt.

I plan not to uphold the complaint about loan 1.

Shawbrook maintains that the loan account which began in July 2017 had been managed well until April 2020 when a payment holiday was requested by Mrs T. That's not unusual considering that was the start of the national Covid pandemic. It was a difficult time for everyone. The loan ended up being sold to a third party in May 2020.

Loan 2

Loan 2 was applied for by Mrs T a few months later and was to run alongside Mrs T's existing Shawbrook loan. It approached loan 2 in much the same way it had assessed Mrs T's application for loan 1 and calculated that Mrs T had a disposable income of £999 after all her credit commitments including her mortgage had been accounted for.

Shawbrook has pointed out that as the loan was for the consolidation of other debts then it had been led to understand that Mrs T was going to use the funds to settle other debt to place herself in a better position financially.

Shawbrook has said that the same pattern of loan account management occurred – all was fine until April 2020 and then it was sold to a third party in May 2020.

For this loan, I am not satisfied that Shawbrook carried out proportionate checks. And one of the reasons I say this is because Mrs T was approaching it for a fresh loan to run concurrently with her existing loan and only a few months after taking a £15,000 loan from it.

Plus, she had told it that the new loan 2 was for debt consolidation but Shawbrook did not approach this as being a loan to consolidate her current loan 1 account with it.

Another reason was that on its own credit scoring Mrs T's score had reduced from 611 to 500 and Mrs T's verified income had dropped to £44,400. However, I plan to utilise the same net income figure Mrs T has provided to us for the November 2017 (loan 2) application which was £2,549 each month as that is the figure Mrs T has given us for November 2017.

A further reason I say that I do not consider Shawbrook carried out proportionate checks is because its own account notes demonstrate to me that on 6 and 7 November 2017 it had some concerns and failed to check those out. Its these I turn to now:

> - A contemporaneous note dated 6 November 2017 states that the underwriter was concerned with the recent level of debt taken. The Shawbrook loan 1 had been taken for debt consolidation '*and we have seen a credit card since taken to limit'*. The note goes on to say – in capital letters – that Shawbrook wanted three months' worth of bank statements from Mrs T and a 'care call' to establish what the loan was for bearing in mind the existing loan 1.
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> - The '*care call'* carried out on 7 November 2017 had notes attached to it and those indicate that Mrs T had said loan 2 was to consolidate smaller credit cards. The note goes on to say, '*OK to proceed.*'

I have not asked for a copy of that call as I consider that its unlikely to have been kept since 2017 – almost 8 years ago. But as this is a provisional decision, Shawbrook has time to send copies of those recorded calls to me if it still has access to them.

I have seen no evidence that Shawbrook did receive the bank statements from Mrs T. There is a note that they were requested by email to Mrs T on 6 November 2017. No reply is noted in the account notes. The care call took place the next day on 7 November 2017.

And that doubt I have that Shawbrook did not receive Mrs T's bank statements in 2017 is increased when I read that Shawbrook, after our investigator's view, requested copies of all the bank account statements our investigator had relied on when coming to his view. Those were sent to it recently. So, this suggests it had no copies of its own.

Asking Mrs T for further information about her financial situation may have involved her supplying copies of utility bills, copy payslips and evidence of other expenditure and credit accounts for which she was liable. A convenient method, one of several available, was to have reviewed copies of Mrs T's bank account statements which usually show a wider picture of her finances and how she was managing her money.

Mrs T has provided for us copies of the bank statements for the account ending *6481 leading up to loan 2 - I have reviewed all of September 2017 and all of October 2017 so that I can see what Shawbrook would have seen had it carried out a further check in November 2017.

I asked Mrs T what the arrangements were for the payment of bills and mortgage in 2017. She explained:

> *In regards to bills and mortgage. As the main earner within the family, I paid for the mortgage and all essential bills listed within my current account.*

From the current account review I have seen that Mrs T's income was as she had said it was. And that the full mortgage payment was made by Mrs T of £479. The total cost from all the direct debits for things such as TV licence, insurances, Council tax, media costs, telephones and energy bills was £589.

Added to this I have seen that in September 2017 and in October 2017 Mrs T paid off her credit cards and this cost her about £320 each month for all cards. These look to have been minimum repayments but as Mrs T had told Shawbrook she planned to use the new loan to reduce/eradicate those debts then it would have been fair and reasonable for Shawbrook to have factored that in. I have done the same.

Mrs T had account charges of £55 each month being interest and fees as she often was in her overdraft.

Mrs T had a direct debit for something for £46 a month and although I don't know what it was for I can see it was a regular payment so I have included it.

Mrs T had a Shawbrook repayment in September 2017 for £364 repayment as it was the first one to Shawbrook for loan 1 – after that it became £301. Plus, Mrs T was paying £301 for a high street bank loan she'd taken in August 2016.

I've calculated that her outgoings were £2,154 in September 2017 and in October 2017 £2,091. These figures exclude fuel and food and she had a family of four. Using her income of £2,549 that would have left around £395 and £458 respectively for September and October 2017. Loan 2 cost would have been £138 a month so that may have meant that Mrs T was left with £320 a month to pay for fuel and food and she had a family of four.

I asked Mrs T for copies of another account to which money was being transferred from the current account. I received them. These were for September to November 2017. It was a savings account and Mrs T has explained that the £2,400 in it in September 2017 was mainly from the sale of a vehicle owned by Mrs T's husband. Mrs T explained that she used some of that money to keep the current account from going into her unauthorised overdraft and to help pay the bills.

Mrs T occasionally paid in money for items she'd sold and the child benefit sums to which she was entitled were paid into this savings account. By 5 November 2017 it had £1,500 in it.

Reviewing the savings account, I think that the sums in that account could have been used to write off the overdraft and if Shawbrook had reviewed what I have reviewed it would have seen that too. So, I think Mrs T could have removed her £55 each month overdraft charges and interest.

I've reviewed the credit reference agency search Shawbrook did in November 2017 and there are no indications of any adverse data or poor account management apart from the mail order account – to which I have referred earlier – and for which the adverse data related to many months before. And so, I doubt would have been of relevance.

Having reviewed Mrs T's current account, I consider that Shawbrook would not have seen a person in financial difficulties as there were no returned direct debits, no evidence of any management plans or insolvency payments. And Mrs T had the savings and although she's told me it may have been for a planned holiday I doubt that would have been something Shawbrook would have been swayed by when deciding on affordability.

As Mrs T had said to Shawbrook she was taking loan 2 (£6,400) for consolidation of the smaller credit cards then the monthly costs of her credit cards would have decreased as well.

The child benefit figure which was being paid into her savings account was £138 each month and although it's nice to try to keep this as savings, it's also for the benefit of the children and so Shawbrook would have been acting fairly and reasonably in my view to have included those monthly sums as part of the household income.

So, although I consider that Shawbrook ought to have done more in November 2017 than it did, if it had carried out further checks I think it would have seen that Mrs T could have afforded loan 2. I plan not to uphold the complaint.

I've also considered whether Shawbrook acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

> However, for the reasons I've already given, I don't think it lent irresponsibly to Mrs T or otherwise treated her 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.

This is the end of the duplicated provisional 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.

Shawbrook said that it agreed with my provisional decision had nothing further to add. I had asked for the phone calls from 2017 but it confirmed it did not have them. This is not unreasonable as the loan applications were many years ago. I have seen the account notes which demonstrate that the calls took place and Mrs T confirmed that the loans being applied for were for debt consolidation purposes.

Mrs T was articulate in her response and was disappointed. Mrs T re-sent me bank statements and two excel spreadsheets for the periods May, June 2017, September, and October 2017. Mrs T also made submissions which I have read. My responses follow.

Loan 1

Mrs T has accepted that looking at bank statements was not compulsory when Shawbrook was considering her application. And in my provisional decision I explained that Shawbrook carried out proportionate checks and so there was no reason to have researched into Mrs T's financial position more than it did. So that would have meant that it would not have reviewed any bank account statements. And I would not have expected it to.

Having reviewed what information Shawbrook had both from Mrs T and from its comprehensive credit search then I remain of the view that the loan applied for looked affordable. Especially as Mrs T had informed it that the money was to consolidate debt.

Mrs T has sent to me an excel spreadsheet listing her outgoings and income for May 2017 and June 2017 – the lead up to Loan 1. These were taken from her bank statements. In my provisional decision I used what Shawbrook had discovered from the credit search it carried out. But as the level of detail Mrs T has sent to me would not have been seen by Shawbrook as I have decided that it carried out proportionate checks before lending, then these calculations are not relevant.

But, reviewing the figures Mrs T has provided on that spreadsheet shows me that on her own figures, her income exceeded her outgoings by £476.19.

In addition, and which cannot be discounted as a minor point, the Shawbrook loan could have cleared most of the card and mail order debt, and likely the overdraft too – apart from the other bank loan costing £301 a month. Because the Shawbrook funds were due to be used as a consolidating loan as Mrs T had said it was going to be used. That would have saved her several hundred pounds a month on her own figures. So, the net difference was not likely to have been much.

I have no evidence that Shawbrook had reason to doubt Mrs T was going to use the £15,000 funds in that way. Still, I consider that Shawbrook carried out a fair lending decision by approving loan 1.

Loan 2

Mrs T has understood why I considered that Shawbrook had not carried out proportionate checks for Loan 2. But my deliberations do not stop there. As I explained in my provisional decision, I did decide that Shawbrook should have done more before lending at loan 2, but that does not lead to an automatic complaint uphold.

Having provisionally decided that Shawbrook ought to have done more to check on Mrs T's financial position before lending for loan 2, then I looked to see what it would have seen if it had carried out those additional checks.

I reviewed the overall picture presented by Mrs T's bank account statements – including the joint savings account – and the picture was one where the second loan was affordable.

Having reviewed Mrs T's current account, I consider that Shawbrook would not have seen a person in financial difficulties as there were no returned direct debits, no evidence of any management plans or insolvency payments.

I did not say in my provisional decision for loan 2 that her disposable income was £999.

Mrs T wanted clarity on my statement in my provisional decision where I said: *"I have seen that in September 2017 and in October 2017 Mrs T paid off her credit cards".*

And the rest of the paragraph reads: '*…and this cost her about £320 each month for all cards. These look to have been minimum repayments but as Mrs T had told Shawbrook she planned to use the new loan to reduce/eradicate those debts then it would have been fair and reasonable for Shawbrook to have factored that in. I have done the same.'*

So maybe use of the phrase 'paid down her credit cards' may have been more accurate than '*paid off'* but I consider that the whole paragraph when read together made that point.

As I said in my provisional decision, the fact Shawbrook was aware Mrs T was going to use the loan 2 funds for consolidation of the smaller credit card debts would have been factored into the overall picture as I did. Mrs T had said to Shawbrook she was taking loan 2 (£6,400) for consolidation of the smaller credit cards then the monthly costs of her credit cards would have decreased as well.

Mrs T referred to the savings account. Mrs T questioned why the savings monies were of relevance. I asked for those statements before coming to my provisional decision because I could see transfers in and out of her sole account to that other account. And had Shawbrook been reviewing her bank statements I would have expected it to have asked about those transfers as well.

And the transfers in and out to that other savings account demonstrates that Mrs T had access to it and so this was a joint savings account meaning the money would have been held jointly. The source of the savings and the fact that Mrs T's partner needed to ringfence part of it would be detail that Shawbrook would not likely have known about, and I would not have expected it to have known about.

And when considering the applicant's ability to make payments to a loan, a lender is entitled to account for savings. Mrs T held a joint savings account. My points surrounding use of the savings money to clear the overdraft stemmed from the fact that within the regulations Shawbrook would have been entitled to factor in savings held by Mrs T as well as benefits income when considering affordability. It would have been reasonable for Shawbrook to have added to Mrs T's net income figure the child benefit sums.

I've reviewed the credit reference agency search Shawbrook did in November 2017 (a copy of which Mrs T now has) and there are no indications of any adverse data or poor account management apart from the mail order account – to which I have referred earlier – and for which the adverse data related to many months before. And so, I doubt would have been of relevance.

And having reviewed the finances available to Shawbrook and using all the funds and income available to Mrs T, and knowing as Shawbrook did, that she was going to use the new loan funds to consolidate debts, then still I consider the loan to have been affordable.

I’ve also considered whether Shawbrook acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I’ve already given, I don’t think it lent irresponsibly to Mrs T or otherwise treated her 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 the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs T to accept or reject my decision before 12 June 2025.

Rachael Williams
Ombudsman