

The complaint

Mr and Mrs W say Shawbrook Bank Limited, ('Shawbrook'), irresponsibly lent to them. They say it didn't take reasonable steps to ensure they could afford the repayments towards a fixed sum loan agreement to purchase some windows and doors. Mr W says that he was in a debt management plan at the time of the loan. And he couldn't afford the loan repayments.

Mr and Mrs W also complain that they were told that the finance would be interest free, but this wasn't the case. And Mr W thinks they should not have paid any interest, as he was in a debt management plan.

What happened

This complaint is about a fixed sum loan agreement that Mr and Mrs W took out to purchase some windows and doors in December 2017. The cash price of the goods was £8,043 and Mr and Mrs W financed all of this. This agreement was to be repaid through 120 monthly instalments of £146.48. If Mr and Mrs W made repayments in line with the credit agreement, they would need to repay a total of £17,577.60.

Mr and Mrs W complained to Shawbrook saying that they were told the loan would be interest free and it should not have been sold to them as Mr W was in a debt management plan at the time.

Shawbrook considered this complaint, and it didn't uphold it. It thought it'd done adequate checks, which showed that Mr and Mrs W could afford the lending. And it said the point of sale documentation confirmed the terms of the loan and that it was interest bearing. Mr and Mrs W signed this documentation to confirm they had received this and understood it.

Mr and Mrs W didn't agree with this and brought their complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr and Mrs W's complaint. They didn't think that Shawbrook had made proportionate checks before lending as it didn't properly consider Mrs W's circumstances or their household expenditure. But if it had done this, it would have still thought the loan was affordable.

And our Investigator thought that full information about the loan was provided to Mr and Mrs W, most importantly the interest amount and how this affected the repayments, was fully disclosed to them.

Mr and Mrs W didn't agree with the Investigator. They said whilst they could afford the loan, Shawbrook didn't do proper checks. They still thought the lending should be interest free, as they were told it would be, and because Mr W was in a debt management plan.

There was some further correspondence, but no new issues were raised. Because Mr and Mrs W didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Shawbrook complete reasonable and proportionate checks to satisfy itself that Mr and Mrs W would be able to repay the credit in a sustainable way?
 - a. if so, did Shawbrook make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr and Mrs W could sustainably repay the borrowing?
2. Did Shawbrook act unfairly or unreasonably in some other way?

And, if I determine that Shawbrook didn't act fairly and reasonably when considering Mr and Mrs W's application, I'll also consider what I think is a fair way to put things right.

Did Shawbrook complete reasonable and proportionate checks to satisfy itself that Mr and Mrs W would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Shawbrook has explained that it found out that Mr W was aged 40, and employed, and he said he had a gross annual income of £28,000. I can't see that it verified this at any time.

Shawbrook checked Mr W's credit file and applied calculations that looked for signs of financial stress and affordability. It has said that it could see that Mr W had one credit card with a debt-to-income ratio of around 34%. Shawbrook said that this meant he had a monthly disposable income of around £1,747.11, or 88%, after all of his credit commitments were taken into account. Shawbrook hasn't been able to provide any detail about the credit commitments it saw at the time.

And Mrs W was a joint applicant, but I can't see that any financial information was taken about her. Shawbrook only seemed to have been aware of her name and date of birth. She didn't seem to form part of the assessment process at all despite being party to the agreement and it should have fully considered Mrs W's circumstances as she was a joint applicant.

And this was a long-term lending agreement and Mr and Mrs W would be repaying a reasonable amount each month for 12 years. So even if I accept that Shawbrook likely determined what Mr W's income was, I think it should also have considered what Mrs W's income was, and their expenditure, to ensure they could sustainably repay the loan. It doesn't seem to have done this at all, other than looking at what was on Mr W's credit file.

Shawbrook seems to have relied on the fact that Mr W was employed, with a reasonable income, and didn't have a lot of existing credit to say that the loan repayments were likely to be affordable. I think Shawbrook should have done more here.

So, I'm not persuaded that the checks Shawbrook did were reasonable and proportionate. I think Shawbrook could have checked in more detail that this lending was sustainably affordable for Mr and Mrs W.

Would reasonable and proportionate checks have shown that Mr and Mrs W would be able to repay the credit in a sustainable way?

I've gone on to consider what Shawbrook would likely have found had reasonable and proportionate checks been carried out.

Mr and Mrs W have provided an up-to-date copy of their credit reports. As this also shows historic data, I'm satisfied this will give a good indication of what Shawbrook would've likely seen on the credit file it obtained when it considered this finance application.

Based on these reports, while it's clear that Mr and Mrs W had credit when they applied for finance with Shawbrook, they were maintaining all the payments to this. And Mr W had some historic problems. However, I wouldn't have expected Shawbrook to decline this application just because of these problems in the past. But I would expect Shawbrook to take these into consideration when making their lending decision.

Mr and Mrs W have also provided copies of their bank statements for the period just before the lending. While I wouldn't have expected Shawbrook to have asked Mr and Mrs W for copies of these, I'm satisfied that these statements would give a good indication of what Shawbrook would likely have taken into consideration had it asked Mr and Mrs W to verify, or provide more information about their income, and committed expenditure, during that specific period.

Our Investigator has calculated Mr and Mrs W's income and expenditure from these. And no party to the complaint has said that these calculations were incorrect. I also think these are accurate.

Mr W's income was around £1,700 a month and Mrs W's was around £1,600. They also received a child benefit payment of £190 a month. This means their total income was about £3,500 a month.

Mr and Mrs W's ordinary living costs were about £1,700 a month which included their monthly mortgage repayment of £500 and their average expenditure on groceries bills and utilities.

Their other regular financial commitments were about £650 a month. The largest component of this was a loan of £275 a month and a payment to one of Mr and Mrs W's parents for a loan which was £130 a month.

This would mean that Mr and Mrs W would have about £1,150 left over each month to pay for the new loan and any other expenditures they may have had. I think this is what Shawbrook would have seen if it had made better checks, and it would have concluded that the loan was affordable for Mr and Mrs W.

And it's worth noting that Mr W has confirmed in the complaint correspondence that the loan repayments were affordable. And they have made the loan repayments without problems since the loan started.

So, and while I appreciate this will come as a disappointment to Mr and Mrs W, I'm satisfied that, had Shawbrook carried out reasonable and proportionate checks, I think that it's likely that would have found the finance to be sustainably affordable.

Did Shawbrook act unfairly or unreasonably in some other way?

Mr W has said that the loan shouldn't have been approved, or should be interest free, as he was in a 'debt management plan' due to some past problems. And I can see a payment to debt management organisation on his bank statements. But I don't agree that this should be the case. Mr and Mrs W were provided with credit that it's reasonable to say they could and can afford, and this is the case even if their past problems are considered.

Mr and Mrs W have said that they were told the loan was interest free. But I've looked at the sale information and there is no mention of that there. And the loan agreement clearly shows that the loan included interest. Mr and Mrs W did sign this agreement and confirmed they understood the terms of it. And they also signed a satisfaction note later to say they were happy with the windows and that they are also agreed to be bound by the terms of the loan agreement. I'm not upholding Mr and Mrs W's complaint on this basis.

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 Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr and Mrs W or otherwise treated them 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.

I haven't seen anything to make me think Shawbrook acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr and Mrs W's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 18 July 2025.

Andy Burlinson
Ombudsman