

The complaint

Mr S has complained that Shawbrook Bank Limited (“Shawbrook”) failed to conduct proportionate affordability checks before it lent to him.

What happened

Shawbrook advanced two loans to Mr S and a summary of the borrowing can be found below.

loan number	loan amount	total to repay	APR	agreement date	number of monthly instalments	monthly repayment
1	£5,500	£6,891.12	16.4%	24/09/2018	36	£191.42
2	£9,000	£10,930.32	13.9%	18/03/2019	36	£303.62

Both these loans ran concurrently, meaning after loan two was granted, Mr S was due to pay Shawbrook £495.04 per month. Mr S appears to have had difficulties repaying the loans, but the statement of accounts shows the balances have been repaid.

Following Mr S’s complaint Shawbrook explained in the final response letter issued in April 2024 that it had carried out proportionate checks which showed the two loans were affordable. Unhappy with this response, Mr S’s representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who in their latest assessment upheld the complaint about both loans saying the credit search results ought to have led Shawbrook to conclude the loans weren’t sustainable for Mr S.

Shawbrook didn’t accept the findings about loan one saying in summary;

- The debt-to-income ratio for loan one was in line with the parameters it uses.
- The large income and small loan size wouldn’t significantly contribute to an increase in Mr S’s overall indebtedness. Mr S confirmed in a call with Shawbrook that the loan was to be used to repay his overdraft.
- Mr S wasn’t overindebted and the decision to uphold this loan was subjective.

However, for loan two, Shawbrook said as a way of bringing this matter to a close, it would offer to settle the complaint about the loan as directed by the investigator. But Shawbrook later said, that if the offer wasn’t accepted by Mr S then it would want an ombudsman’s decision to be made on both lending decisions.

Mr S accepted the investigator’s finding in as much as the loans ought to not have been lent. But across several emails Mr S made further points which I’ve summarised below.

- Mr S said he had to sell the family home in order to move his life forward.
- Shawbrook ought to have checked Mr S’s bank statements before granting the loans – had it done so it wouldn’t have lent.

- The final response letter issued in April 2024 contained inaccurate information about the total amount of debt Mr S had at the time.
- Mr S says these loans have had a significant impact on his financial position, his health and have caused him inconvenience. And no recommendation has been made for an additional payment.

As no agreement could be reached the complaint has been passed to me to decide.

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.

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. And I've used this approach to help me decide Mr S's complaint. Having carefully considered everything I've decided to not uphold Mr S's complaint. I'll explain why in a little more detail.

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 Mr S 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 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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr S's complaint. Having looked at everything I have decided to uphold Mr S's complaint and I've explained why below.

I also want to reassure Mr S that where I haven't commented on a specific issue he has referred to, or a comment he may have made, it's not because I've failed to take it on board and think about it. The reason I will not have commented on the issue is because I'm satisfied that I don't need to do so in order to reach what I consider to be a fair and reasonable outcome. For the sake of completeness, I would add that our complaint handling rules, which I'm required to follow, permit me to adopt such an approach.

Loan 1

Mr S, as part of the application, declared he received an income of £143,000 per year. Shawbrook didn't just accept what Mr S told it – I can see from the notes that it used a third-party tool – provided by a credit reference agency to cross check the information it was given. The results indicated that what Mr S told Shawbrook about his income was likely to be accurate. Shawbrook made no adjustments to the income for its affordability check and I don't think that was unreasonable.

Shawbrook has also provided a copy of the full credit file data it received as a part of the assessment for this loan. To begin with, the information that it has provided is different to the

overview it provided to Mr S in the final response letter. Shawbrook has explained that this difference is due to the way the case handler – who was reviewing Mr S's complaint, filtered the data.

Notwithstanding this, Shawbrook has provided the data and I've reviewed this to see whether there were signs of financial difficulties, or anything else that have been caused Shawbrook some concern. Shawbrook was told that Mr S already had unsecured debt of close to £100,000 not including the mortgage debt broken down by;

- Mr S had five active loans which he still owed nearly £68,000 towards and which were costing him £2,341 per month. The most recent loan had been granted in July 2018 and all the loans having been granted within the previous 23 months.
- Mr S had an overdraft balance of £8,790.
- A charge card with a balance of £2,066.
- Mortgage accounts which were costing £1,597 each month to repay.
- Three credit cards with Mr S owing £19,363.

However, Shawbrook was told Mr S had – nearly £100,000 of unsecured debt before any living costs were considered and Mr S also had mortgage payments. Mr S may have received a relatively high income but that still didn't negate the fact Mr S already had significant amounts of unsecured debt.

Shawbrook may have felt that the credit check data wasn't overly concerning. After all the information it received didn't suggest Mr S had defaulted on any accounts or was having problems maintaining his payments – because there were no delinquent accounts.

I've noted that Shawbrook says that Mr S was using this loan to repay his overdraft. The overdraft didn't have an agreed repayment amount or term, but Mr S would've been charged interest and possibly charges for using the facility.

So what Mr S was doing, was taking a loan with a defined monthly payment amount and term and had he been able to stick to the agreement then within three years Mr S's overdraft debt would in theory – as long as he didn't continue to use it have been significantly reduced. Taking a loan for this sort of purpose isn't itself unreasonable, after all overdrafts tend to be an expensive form of borrowing – not intended for long term use. But I do note the APR for this loan was over 16%.

So, it may well have been reasonable for Shawbrook to think Mr S's indebtedness wouldn't be increasing because the loan would be used for the stated purpose of paying down the overdraft. But notwithstanding that, Shawbrook, as I've shown above was on notice that Mr S already had what I think fairly can be said is a significant amount of unsecured debt – which was in my view high compared to his checked income.

His total debt was close to 70% of his annual income which may well be within Shawbrook's lending parameters, but I still think this is a large percentage and does show an over reliance on debt – especially when all of the loan accounts had been opened within the last two years.

From the credit file data, Shawbrook also knew the cost of a number of his monthly commitments, including his existing loans, his charge card and the fact he had nearly £20,000 of credit card debt. Including the mortgage payments these debts were likely to cost Mr S over £6,500 per month – before any other living costs were considered including this loan payment.

I don't agree the reasons to uphold this loan is a subjective call – given the information Shawbrook had to hand. It ought to have reasonably concluded that Mr S was already significantly indebted each month and was spending a significant portion of his income each month solely servicing the debts that Shawbrook knew off. I am therefore upholding Mr S's complaint about this loan.

I do think its arguable, given the results of the credit check and how indebted Mr S was that at the time the decision was made to lend that Shawbrook ought to have investigated Mr S's financial circumstances more closely. But in order to reach a fair outcome I don't think I need to look at this any further.

So, having thought about the circumstances of this complaint, I'm satisfied that Shawbrook couldn't be confident the loan was affordable for Mr S – but even if it was, that wasn't the only requirement. It had to consider whether it would be sustainable for Mr S, and given what I've see in the credit search results, I don't think that conclusion can be reached, considering what a likely monthly take home pay was compared to the known costs that Mr S had. I uphold the complaint about this loan.

Loan 2

Six months after loan one was granted, Mr S approached Shawbrook for further borrowing – this time he requested £9,000 for home improvements. But loan one was still running, so as I've set out above, once this loan was approved Mr S would've had monthly repayments due to Shawbrook of nearly £500.

It seems similar checks were carried out by Shawbrook – this time Mr S declared an annual income – of £151,000. The notes show once again this was electronically checked through a credit reference agency.

Again, it seems that no checks were undertaken into Mr S's day-to-day living costs, but Shawbrook did carry out a credit search – and I think the results showed a worsening of his financial situation. This time Mr S's total non-secured creditors was nearly £140,000 a significant increase since loan one was granted. Shawbrook knew Mr S had;

- seven loans owing the creditors just over £100,000 which had monthly repayments of nearly £3,600 per month.
- Three credit cards owing more than £19,500.
- It's also apparent that Mr S still had his overdraft, but he was now fully utilising the facility and his overdraft stood at £17,514.

The number of outstanding loans and the outstanding balances had increased significantly since loan one – only six months before. In addition, Shawbrook would've known that even though the first loan was meant to be used to reduce his overall indebtedness, and repay his overdraft, a portion of his overdraft, this didn't appear to have happened. In fact, what the credit file shows is that Mr S's overdraft usage had carried on and he was now further indebted then he was six months before.

By the time of the second loan Mr S owed almost as much as his annual income to unsecured creditors – and given Shawbrook needed to not only consider the affordability of the loan buy the sustainability of it as well – I'm upholding the complaint for much as the same reasons as loan one.

Other considerations

It's worth saying that the interest, fees and charges which Shawbrook will need to refund compensates Mr S for any financial loss and the 8% simple interest is in recognition of the fact that Mr S has been deprived use of the overpayment. I therefore don't intend to make any further financial award beyond what the investigator recommended.

Mr S has said that as a result of the decision to lend to him he has been caused significant amounts of distress and inconvenience, and this matter has been ongoing for some time. He's therefore, in addition to asking for a refund of the interest free and charges, a payment to reflect in effect the trouble and upset this matter has been caused him.

Also, I can understand why Mr S is unhappy about the original outcome especially because of the speed that bank statements were requested and then the final response letter was issued the following day. And then again, in July 2024, Shawbrook accepted some of the information contained within the final response letter it issued in April 2024 wasn't accurate. But Shawbrook has said that even if it had fully considered what it was given by the credit reference agency it would've come to the same outcome.

I completely accept that Mr S doesn't agree with this – indeed neither do I as I don't think either of the loans ought to have been granted. But that doesn't mean that Shawbrook wasn't entitled to investigate the complaint and come to the outcome that it did. I appreciate that Mr S says this caused him stress as he'd have liked the complaint resolved at an earlier stage but the fact it wasn't isn't enough for me to say that compensation should be paid.

I'm sorry to read about the impact that these loans had on Mr S's mental health and I'm also sorry to hear about the recent tests he has undergone at hospital. I do hope he's receiving the help and support that he needs. But having looked at what happened here and what Shawbrook knew, while I don't doubt repaying the loans was difficult for Mr S I'm not going to award any further compensation for the distress and inconvenience he's explained he went through.

Finally, in March 2025, Mr S recently told us about the adverse information Shawbrook has reported to the credit reference agencies about the loans. I can understand that this would be stressful for him but now the complaint has been upheld, any adverse information will need to be removed from the credit file.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Having thought about everything, Shawbrook shouldn't have lent to Mr S but as the funds were advanced, it's reasonable for Mr S to repay the capital that he borrowed. But he shouldn't have to pay any interest, fees or charges.

The statement of account provided by Shawbrook shows the loans as having a zero balance but in the event the loans have in fact been sold to a third party Shawbrook should, if it can, buy them back and carry out the redress below. If it can't buy the loan(s) back it should liaise with the new debt owner to achieve the compensation.

Shawbrook shouldn't have provided either loan to Mr S.

- Shawbrook should remove all interest, fees and charges applied to Mr S's loans from the outset. The payments Mr S made, should be deducted from the new starting

balances – the original amounts lent for each loan. If Mr S has already paid Shawbrook more than the capital sums lent then it should treat any extra as overpayments. And any overpayments should be refunded to Mr S;

- Shawbrook should add interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr S to the date of settlement†
- If an outstanding balance remains due, I would remind Shawbrook to treat Mr S fairly and with forbearance.
- if no outstanding balance remains after all adjustments have been made, all adverse information Shawbrook has recorded about these loans should be removed from Mr S's credit file.

† HM Revenue & Customs requires Shawbrook to take off tax from this interest. Shawbrook must give Mrs T a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons given above, I am upholding Mr S's complaint.

Shawbrook Bank Limited should put things right for Mr S as directed above.

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

Robert Walker
Ombudsman