

The complaint

Mr C says Shawbrook Bank Limited ('Shawbrook'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a loan. He says that he realistically couldn't afford the loan as he was already in a debt management plan. He says he had problems with gambling.

Mr C's complaint has been brought by a representative and I've referred to Mr C and the representatives' comments as being from Mr C for ease of reading.

What happened

This complaint is about a loan agreement that Mr C took out in March 2018. Mr C paid a £250 deposit for the heating system, and he borrowed £3,213.62. This was to purchase central heating. This agreement was to be repaid through 60 monthly instalments of £84.92 making a total to repay of £5,095.20.

Mr C repaid the loan without problems until March 2020 when he needed assistance with financial problems caused by the Covid 19 pandemic, which he received. He went on to repay the loan without problems from September 2020 onwards.

Mr C complained to Shawbrook saying that the sale of the loan should be reviewed due the concerns Mr C had with the lending.

Shawbrook considered this complaint, and it didn't uphold it. It thought it'd made proportionate checks, which showed that Mr C could afford the lending. It didn't think it had made any errors when it approved the loan. Mr C didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator initially thought the loan was lent irresponsibly but, after receiving some further information, they didn't uphold Mr C's complaint. They thought Shawbrook made proportionate checks, and these showed the loan was affordable.

Mr C didn't agree with the Investigator. He said that Shawbrook didn't make enough effort to realise he was in a debt management plan at the time, and his income was lower than Shawbrook used in its assessment. Because Mr C 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 C 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 C 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 C'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 C 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 as part of the application process Mr C told it that he was aged 50 and a self-employed driving instructor. He said he had a gross annual income of £35,000.

It received some information about his existing credit. He had a mortgage with an outstanding balance of just over £86,000. He had credit card balances of about £7,500 and an unsecured loan with a balance of about £6,700.

It applied a series of calculations to the credit reference agency data that looked for signs of financial stress and affordability. It's said these included looking at the amount of active credit accounts Mr C had, how he was using his credit facilities, and what his debt to income ratio was. It noted that his debt to income ratio was 48% which it thought was reasonable.

The credit reference agency information showed that he was paying just over £600 a month to his unsecured debt and about £250 to his mortgage. And using an estimated net income figure of about £2,300 a month it thought he would have about £1,700 a month left over after his existing debt repayments. It thought this was enough to repay the new loan, his mortgage, and his other expenses.

And the credit reference agency information showed that Mr C was not having any existing problems repaying his credit. There were no signs of financial difficulty in this data.

This was a long-term lending agreement, but the amount Mr C was borrowing and repaying each month were relatively modest at just under £85 a month. And I think it's relevant to note that this was for central heating which Mr C would have needed. Given all of this, I think the checks that Shawbrook did were proportionate and it found out enough about him to be able to say the lending was likely to be affordable.

Mr C has said that he was in a payment plan at the time the loan was started. He's not provided any detail about this. But this isn't shown in any of the information Shawbrook received and I can't see that Mr C made them aware of it. So, I can't reasonably say it should have taken this into account.

Mr C has provided his bank statements and some information about his business which included some accounts information. I don't think it would have been proportionate for Shawbrook to have looked at this much detail into Mr C's circumstances. But it's worth noting that it isn't obvious from his bank statements that he was in financial difficulty. There aren't any occurrences, that I've seen, of missed payments or other payment problems.

Shawbrook could have taken some steps to verify Mr C's income. But he was self-employed and so it would only have been able to obtain Mr C's past records and his current estimates of his income. Given the size of the loan, and the other information Shawbrook collected, I don't think relying on what he said for this was unreasonable.

The bank statements show that Mr C was gambling. But, as I've said, I wouldn't have expected Shawbrook to have obtained bank statements. So, it would only have been aware of Mr C's gambling problem if he made them aware of this. And I haven't seen that he did so as part of the application process.

So, and while I appreciate this will come as a disappointment to Mr C, I'm satisfied that Shawbrook carried out reasonable and proportionate checks and these showed that the loan was sustainably affordable.

And I think this is why he was able to repay the loan without problem until the time of the pandemic. And the problems he faced at this time were not reflective of his normal situation.

Did Shawbrook act unfairly or unreasonably in some other way?

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 C 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.

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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 December 2025.

Andy Burlinson
Ombudsman