

The complaint

Miss M and Mr M have complained about three mortgage accounts they hold with Shawbrook Bank Limited. They've said Shawbrook transferred funds between the accounts without their permission in 2017 and 2018, which led to arrears. They've also said interest rate change letters and annual statements weren't sent to them.

What happened

I won't detail everything that has happened as it is extensive and goes back many years. Instead I'll summarise some key points.

Miss M and Mr M hold three mortgage accounts in their personal names, and there is a fourth account which they hold in the name of their company. Here I'm just deciding a complaint about the three accounts they hold in their personal names, I'll be issuing a separate decision under a different complaint reference number about the fourth account.

Miss M and Mr M have raised concerns over the years about their accounts, and this complaint just deals with the complaints that I've detailed above.

Our Investigator said he'd identified six transactions where funds were transferred from one account to another. He said:

- The first was done to take one account out of arrears, using a surplus that was on another account, and whilst it was done without Miss M and Mr M's consent, it didn't have a negative impact.
- The second was done due to the payment being credited to the wrong account, so it was correcting an error.
- The third was done to take one account out of arrears, using a surplus that was on another account, and whilst it was done without Miss M and Mr M's consent, it didn't have a negative impact.
- The fourth was done to take one account out of arrears, however there wasn't a sufficient surplus on the other account, so it moved it into an arrears position.
- The fifth was done in error but resolved the arrears situation.
- The sixth was done to correct the error in the fifth.

He said in the round, putting aside the errors, the transfers were done to take one of the accounts out of arrears, so rather than creating arrears as Miss M and Mr M had said, they had done the opposite. He said Shawbrook don't allow credits to accrue on mortgage accounts so it had acted in line with its policy. In respect of the interest rate change letters and annual statements he said those were all shown to be sent, and were correctly addressed, so on balance he didn't think Shawbrook had done anything wrong. He said, due to Miss M and Mr M paying by standing order, there were occasions they hadn't paid enough or payments hadn't reached the accounts on time, and that Shawbrook had previously warned Miss M and Mr M of this. He didn't uphold the complaint.

Miss M and Mr M didn't accept our Investigator's findings. They said all the accounts were in credit as they paid over the amount that was due each month, and they weren't sent any

letters regarding the interest rate increases as Shawbrook was using the credits on the account. They said this has had an impact on them as they were no longer overpaying and ended up having to pay more each month. They said Shawbrook generated statements, but they weren't sent until requested, and that was even stated in the documents. Finally, they said removing money from someone's account is illegal, and it put the accounts in arrears as they'd received a letter saying so. Miss M and Mr M say Shawbrook lied to them for years and refused to look properly into the complaint.

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.

I trust Miss M and Mr M won't take it as a discourtesy that I've condensed this complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Miss M and Mr M have said they've not been sent interest rate change letters, overpayment letters and the annual statements. They say the documents were only sent when they asked for them. I've reviewed the contact history and copies of the letters and annual statements, and I'm not persuaded that Shawbrook didn't send these to Miss M and Mr M automatically when they fell due. The letters and statements were all correctly addressed, and most correctly addressed post is delivered. It seems unlikely that Shawbrook would have chosen to generate the letters and statements, and then just not send them.

I understand Miss M and Mr M feel Shawbrook should have obtained their consent each time a transfer is made, but I don't agree. Under the terms of the mortgages Shawbrook has the right of set off, which means it can use credits on one account to repay arrears on another account. That is fairly normal in commercial contracts, and I can't see any instances where Shawbrook has used that unfairly. Had the transfers not been done (other than the ones done due to errors which were being corrected) then one of Miss M and Mr M's accounts would have been in arrears. By transferring these amounts across from another of the accounts which was in credit, Shawbrook resolved Miss M and Mr M's arrears situation.

It seems many of the problems here are because Miss M and Mr M choose to pay by Standing Order rather than by Direct Debit. That means when the monthly mortgage payment changes, Shawbrook have no way of changing the amount that is paid as it is controlled by Miss M and Mr M. If the payment was instead collected by Direct Debit, then Shawbrook would be able to amend the payment amount to ensure the correct amount is paid each month. Whilst Miss M and Mr M say they overpay each month, that isn't correct as whilst normally they've overpaid, at times they've underpaid (due to not amending the Standing Order mandate). If Miss M and Mr M want the situation to not arise again, then they should switch to paying by Direct Debit as Shawbrook has suggested.

I understand Miss M and Mr M want credits to remain on their accounts, but that isn't how these mortgages work. Once the credit reaches a certain level then it is capitalised onto the account and the monthly payment adjusted. The accounts simply can't work how Miss M and Mr M want them too with credit building up to be used later. It also isn't clear how Miss M and Mr M feel this has disadvantaged them financially as the credits were used up due to underpayments. If Miss M and Mr M wanted the credit to remain then they needed to have not made those underpayments which would have meant they would have needed to have paid more back then, rather than now. They could never have been in the position where

they paid exactly what they paid previously, and their payments would then not have increased in the future.

These are daily interest mortgages so when they make a payment their interest is calculated the following day based on that new lower balance; that's the daily interest element. The monthly payments due are calculated based on the assumption all payments will be made in full and on time. However, whenever Miss M and Mr M either underpaid, or their payment didn't reach the account on time, extra interest would have been charged due to the mortgage balance being higher than expected.

I understand these issues go back to 2017 and 2018, but more recent examples of both the late payment and the underpayment can be seen in December 2022 when the payment due date was 17 December, but the payment wasn't received until 19 December, and the amount due was £813.39 but the payment received was £813.13 (on the account ending 073). On account ending 723, £813.12 was due and £813.39 was paid, but with the payment due date being 5 December, and the payment not received until 6 December. It is possible there was a confusion between the two accounts with the payments being amended on the wrong one, but that is a risk of using manual ways to pay (like Standing Order) rather than Direct Debits.

If Miss M and Mr M wish to continue paying by Standing Order, then they need to set the payments to be sent sooner each month to ensure the payments reach the accounts by the due date. By paying late, albeit only a few days, additional interest is charged. They also need to ensure they amend each Standing Order correctly, and in time, to ensure the new monthly payments are correctly paid.

I've carefully considered the transactions on these three accounts, and I'm satisfied Shawbrook hasn't caused financial detriment to Miss M and Mr M by the transfers it made between them and, as I've already explained, it didn't need to obtain Miss M and Mr M's consent before making these transfers under its right of set off.

I'm also satisfied Shawbrook has sent the annual statements to Miss M and Mr M when they were due, and that it also sent the interest rate change and overpayment letters to them. The overpayment letters over the years explained that the monthly instalment was changing due to the credit position that had built up following overpayments and what the new monthly payment was to be.

It's not possible for us to carry out a detailed or forensic audit of an account history. It's open to Miss M and Mr M to instruct a suitably qualified independent accountant to do that for them. That would have to be at their expense, though if an error were found to their financial detriment they could include any reasonable costs of finding it in any fresh complaint that followed. But as things stand, in the absence of any evidence to the contrary, I'm not persuaded that Shawbrook has mismanaged the accounts in terms of the transfers between them.

I can see how strongly Miss M and Mr M feel about this, and I'm sorry to disappoint them, but I don't uphold this complaint. I understand Shawbrook has made various offers of compensation across some of the complaints. My understanding is that all those payments have been made, however if any remain outstanding and Miss M and Mr M wish to accept them, then they should contact Shawbrook directly to arrange that.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M and Mr M to accept or reject my decision before 29 December 2025.

Julia Meadows
Ombudsman