

## **The complaint**

Mr and Mrs G's complaint is, in essence, that Shawbrook Bank Limited (the 'Lender') acted unfairly and unreasonably by (1) being party to an unfair credit relationship with them under Section 140A of the Consumer Credit Act 1974 (as amended) (the 'CCA') and (2) deciding against paying claims under Section 75 of the CCA.

## **What happened**

Mr and Mrs G were existing members of a points-based timeshare from a timeshare provider (the 'Supplier') – having purchased a total of 13,000 points from it over time.

But the product at the centre of this complaint is their membership of a timeshare that I'll call the 'Fractional Club' – which they bought on 31 March 2013 (the 'Time of Sale'). They entered into an agreement with the Supplier to buy 14,000 fractional points at a cost of £23,520. But after being given a discount of £2,045 and a trade-in value for their existing membership of £13,000 they ended up paying £8,475 for membership of the Fractional Club (the 'Purchase Agreement').

Fractional Club membership was asset backed – which meant it gave Mr and Mrs G more than just holiday rights. It also included a share in the net sale proceeds of a property named on the Purchase Agreement (the 'Allocated Property') after their membership term ends.

Mr and Mrs G paid for their Fractional Club membership by taking finance of £6,780 from the Lender (the 'Credit Agreement').

Mr and Mrs G – using a professional representative (the 'PR') – wrote to the Lender on 8 March 2019 (the 'Letter of Complaint') to raise a number of different concerns. As those concerns haven't changed since they were first raised, and as both sides are familiar with them, it isn't necessary to repeat them in detail here beyond the summary above.

The Lender dealt with Mr and Mrs G's concerns as a complaint and issued its final response letter on 2 May 2019, rejecting it on every ground.

The complaint was then referred to the Financial Ombudsman Service. Following this Mr G wrote to the Lender in his own right and raised a further complaint – that the Supplier was not correctly authorised to broker the Credit Agreement.

The Lender assessed this complaint and did not uphold it. It said the Supplier held the required authorisation.

Mr and Mrs G's complaint, including the later point, was assessed by an Investigator at this Service who, having considered the information on file, rejected the complaint on its merits.

Mr and Mrs G disagreed with the Investigator's assessment and asked for an Ombudsman's decision – which is why it was passed to me.

## The provisional decision

I considered the matter and issued a provisional decision (the 'PD') setting out my initial thoughts on the merits of Mr and Mrs G's complaint.

In the PD I said:

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

*And having done that, I do not currently think this complaint should be upheld.*

*However, before I explain why, I want to make it clear that my role as an Ombudsman is not to address every single point that has been made to date. Instead, it is to decide what is fair and reasonable in the circumstances of this complaint. So, if I have not commented on, or referred to, something that either party has said, that does not mean I have not considered it.*

### Section 75 of the CCA: the Supplier's misrepresentations at the Time of Sale

*The CCA introduced a regime of connected lender liability under Section 75 that affords consumers ("debtors") a right of recourse against lenders that provide the finance for the acquisition of goods or services from third-party merchants ("suppliers") in the event that there is an actionable misrepresentation and/or breach of contract by the supplier.*

*Certain conditions must be met if the protection afforded to consumers is engaged, including, for instance, the cash price of the purchase and the nature of the arrangements between the parties involved in the transaction. The Lender doesn't dispute that the relevant conditions are met, but for reasons I'll come on to below, it isn't necessary to make any formal findings on them here.*

*It was said in the Letter of Complaint that Fractional Club membership had been misrepresented by the Supplier at the Time of Sale because Mr and Mrs G were:*

- (1) Told by the Supplier that Fractional Club membership had a guaranteed end date when that was not true.*
- (2) Told by the Supplier that Fractional Club membership was an "investment" when that was not true.*

*However, telling prospective members that they were investing their money because they were buying a fraction or share of one of the Supplier's properties was not untrue. After all, a share in an allocated property was, by its very nature, an investment. And while, as I understand it, the sale of the Allocated Property could be postponed in certain circumstances according to the Fractional Club Rules, Mr and Mrs G say little to nothing to persuade me that they were given a guarantee by the Supplier that the Allocated Property would be sold on a specific date when such a promise would have been impossible to stand by given the inevitable uncertainty of selling property some way into the future. And as there's nothing else on file to support the PR's allegation, I'm not persuaded that there was a representation by the Supplier on the issue in question that constituted a false statement of fact.*

*So, while I recognise that Mr and Mrs G and the PR have concerns about the way in which Fractional Club membership was sold by the Supplier, when looking at the claim under Section 75 of the CCA, I can only consider whether there was a factual and material misrepresentation by the Supplier. For the reasons I've set out above, I'm not persuaded*

*that there was. And that means that I don't think the Lender acted unreasonably or unfairly when it dealt with this particular Section 75 claim.*

#### Section 75 of the CCA: the Supplier's Breach of Contract

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*I have already summarised how Section 75 of the CCA works and why it gives consumers a right of recourse against a lender. So, it is not necessary to repeat that here other than to say that, if I find that the Supplier is liable for having breached the Purchase Agreement, the Lender is also liable.*

*Mr and Mrs G say that they could not holiday where and when they wanted to – which, on my reading of the complaint, suggests that the Supplier was not living up to its end of the bargain, potentially breaching the Purchase Agreement.*

*Yet, like any holiday accommodation, availability was not unlimited – given the higher demand at peak times, like school holidays for instance. Some of the sales paperwork likely to have been signed by Mr and Mrs G states that the availability of holidays was/is subject to demand. It also looks like they made use of their fractional points to holiday on a number of occasions. I accept that they may not have been able to take certain holidays, but I have not seen enough to persuade me that the Supplier had breached the terms of the Purchase Agreement.*

*So, from the evidence I have seen, I do not think the Lender is liable to pay Mr and Mrs G any compensation for a breach of contract by the Supplier. And with that being the case, I do not think the Lender acted unfairly or unreasonably in relation to this aspect of the complaint either.*

#### Section 140A of the CCA: did the Lender participate in an unfair credit relationship?

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*I've already explained why I'm not persuaded that Fractional Club membership was actionably misrepresented by the Supplier at the Time of Sale, nor that there was a breach of contract. But there are other aspects of the sales process that, being the subject of dissatisfaction, I must explore with Section 140A in mind if I'm to consider this complaint in full – which is what I've done next.*

*Having considered the entirety of the credit relationship between Mr and Mrs G and the Lender along with all of the circumstances of the complaint, I don't think the credit relationship between them was likely to have been rendered unfair for the purposes of Section 140A. When coming to that conclusion, and in carrying out my analysis, I have looked at:*

- 1. The standard of the Supplier's commercial conduct – which includes its sales and marketing practices at the Time of Sale;*
- 2. The provision of information by the Supplier at the Time of Sale, including the contractual documentation and disclaimers made by the Supplier;*
- 3. Evidence provided by both parties on what was likely to have been said and/or done at the Time of Sale; and*
- 4. The inherent probabilities of the sale given its circumstances.*

*I have then considered the impact of these on the fairness of the credit relationship between Mr and Mrs G and the Lender.*

### The Supplier's sales & marketing practices at the Time of Sale

Mr and Mrs G's complaint about the Lender being party to an unfair credit relationship was and is made for several reasons.

The PR says, for instance that:

1. The right checks weren't carried out before the Lender lent to Mr and Mrs G; and
2. Mr and Mrs G were pressured by the Supplier into purchasing Fractional Club membership at the Time of Sale.

However, as things currently stand, none of these strike me as reasons why this complaint should succeed.

I haven't seen anything to persuade me that the right checks weren't carried out by the Lender given this complaint's circumstances. But even if I were to find that the Lender failed to do everything it should have when it agreed to lend (and I make no such finding), I would have to be satisfied that the money lent to Mr and Mrs G was actually unaffordable, before also concluding that they lost out as a result, and then consider whether the credit relationship with the Lender was unfair to them for this reason. But from the information provided, I am not satisfied that the lending was unaffordable for the Mr and Mrs G.

I acknowledge that Mr and Mrs G may have felt weary after a sales process that went on for a long time. But they say little about what was said and/or done by the Supplier during their sales presentation that made them feel as if they had no choice but to purchase Fractional Club membership when they simply did not want to. Indeed, Mr G has talked about 'pressure' when describing the sales process in his statement. He said:

"...We ended up being stuck with them for about four or five hours. I would say that the pressure wasn't terrible; they were actually fairly amenable and quite nice but there was certainly an idea and feeling that they did want you to buy something."

This does not make me think that Mr and Mrs G made the decision to purchase Fractional Club membership because their ability to exercise that choice was significantly impaired by pressure from the Supplier. And I can see Mr and Mrs G were also given a 14-day cooling off period and they have not provided a credible explanation for why they did not cancel their membership during that time.

Overall, therefore, I don't think that Mr and Mrs G credit relationship with the Lender was rendered unfair to them under Section 140A for any of the reasons above. But there is another reason, perhaps the main reason, why the PR now says the credit relationship with the Lender was unfair to them. And that's the suggestion that Fractional Club membership was marketed and sold to them as an investment in breach of prohibition against selling timeshares in that way.

### The Supplier's alleged breach of Regulation 14(3) of the Timeshare Regulations

The Lender does not dispute, and I am satisfied, that Mr and Mrs G's Fractional Club membership met the definition of a "timeshare contract" and was a "regulated contract" for the purposes of the Timeshare Regulations.

Regulation 14(3) of the Timeshare Regulations prohibited the Supplier from marketing or selling Fractional Club membership as an investment. This is what the provision said at the Time of Sale:

*“A trader must not market or sell a proposed timeshare contract or long-term holiday product contract as an investment if the proposed contract would be a regulated contract.”*

*But the PR says that the Supplier did exactly that at the Time of Sale.*

*The term “investment” is not defined in the Timeshare Regulations. But for the purposes of this provisional decision, and by reference to the decided authorities, an investment is a transaction in which money or other property is laid out in the expectation or hope of financial gain or profit.*

*A share in the Allocated Property clearly constituted an investment as it offered Mr and Mrs G the prospect of a financial return – whether or not, like all investments, that was more than what they first put into it. But it is important to note at this stage that the fact that Fractional Club membership included an investment element did not, itself, transgress the prohibition in Regulation 14(3). That provision prohibits the marketing and selling of a timeshare contract as an investment. It doesn’t prohibit the mere existence of an investment element in a timeshare contract or prohibit the marketing and selling of such a timeshare contract per se.*

*In other words, the Timeshare Regulations did not ban products such as the Fractional Club. They just regulated how such products were marketed and sold.*

*To conclude, therefore, that Fractional Club membership was marketed or sold to Mr and Mrs G as an investment in breach of Regulation 14(3), I have to be persuaded that it was more likely than not that the Supplier marketed and/or sold membership to them as an investment, i.e. told them or led them to believe that Fractional Club membership offered them the prospect of a financial gain (i.e., a profit) given the facts and circumstances of this complaint.*

*There is competing evidence in this complaint as to whether Fractional Club membership was marketed and/or sold by the Supplier at the Time of Sale as an investment in breach of regulation 14(3) of the Timeshare Regulations.*

*On the one hand, it is clear that the Supplier made efforts to avoid specifically describing membership of the Fractional Club as an ‘investment’ or quantifying to prospective purchasers, such as Mr and Mrs G, the financial value of their share in the net sales proceeds of the Allocated Property along with the investment considerations, risks and rewards attached to them.*

*On the other hand, I acknowledge that the Supplier’s sales process left open the possibility that the sales representative may have positioned Fractional Club membership as an investment. So, I accept that it’s equally possible that Fractional Club membership was marketed and sold to Mr and Mrs G as an investment in breach of Regulation 14(3).*

*However, whether or not there was a breach of the relevant prohibition by the Supplier is not ultimately determinative of the outcome in this complaint for reasons I will come on to shortly. And with that being the case, it’s not necessary to make a formal finding on that particular issue for the purposes of this decision.*

*Was the credit relationship between the Lender and the Consumer rendered unfair?*

*Having found that it was possible that the Supplier breached Regulation 14(3) of the Timeshare Regulations at the Time of Sale, I now need to consider what impact that breach had on the fairness of the credit relationship between Mr and Mrs G and the Lender under the Credit Agreement and related Purchase Agreement because, as the case law on Section*

140A makes clear, regulatory breaches do not automatically create unfairness for the purposes of that provision. Such breaches and their consequences (if there are any) must be considered in the round, rather than in a narrow or technical way.

Indeed, it seems to me that, if I am to conclude that a breach of Regulation 14(3) led to a credit relationship between Mr and Mrs G and the Lender that was unfair to them and warranted relief as a result, whether the Supplier's breach of Regulation 14(3) led them to enter into the Purchase Agreement and the Credit Agreement is an important consideration.

But on my reading of the evidence before me, the prospect of a financial gain from Fractional Club membership was not an important and motivating factor when Mr and Mrs G decided to go ahead with their purchase. I say that having read and considered Mr G's testimony.

This was compiled by the PR and dated 6 March 2019. It sets out Mr G's recollections of their entire relationship with the Supplier. As regards their purchase of the Fractional Club at the Time of Sale he says:

*"They basically told us there was no way out of our previous points. At the time, we were really interested in getting out because my wife was suffering from a benign brain tumour and we absolutely did not want our children to become liable for any of our points when we died, so we wanted to make sure that we didn't have them anymore, or there was at least a way out. They explained to us that there was no way we could get out other than by buying fractions. We therefore bought fractions on the basis that they would give us a guaranteed exit from the timeshare."*

That doesn't mean Mr and Mrs G weren't interested in a share in the Allocated Property. After all, that wouldn't be surprising given the nature of the product at the centre of this complaint. And Mr G has gone on to say what he remembers being told in this regard by the salesperson:

*"They also told us that this was an investment. They said that basically, we would put money in now and after the 15 years, the property that we had purchased a share in would be sold and we would get some money back. They didn't give us any indication of how much we would get back but they definitely did say it would be in lines with things like property prices and that we would definitely get some money back."*

But I can't see that this is any more than a description of how the Fractional Club worked – it does not suggest that a potential profit was a motivating factor for Mr and Mrs G. I think their motivation is clear – they wanted to change from their previous points-based membership, which had a much longer term, to Fractional Club with its shorter and defined membership term given their personal circumstances.

So as Mr and Mrs G themselves don't persuade me that their purchase was motivated by their share in the Allocated Property and the possibility of a profit, I don't think a breach of Regulation 14(3) by the Supplier was likely to have been material to the decision they ultimately made.

On balance, therefore, even if the Supplier had marketed or sold the Fractional Club membership as an investment in breach of Regulation 14(3) of the Timeshare Regulations, I am not persuaded that Mr and Mrs G's decision to purchase Fractional Club membership at the Time of Sale was motivated by the prospect of a financial gain (i.e., a profit). On the contrary, I think the evidence suggests they would have pressed ahead with their purchase for the shorter membership term it offered, whether or not there had been a breach of Regulation 14(3).

*And for that reason, I do not think the credit relationship between Mr and Mrs G and the Lender was unfair to them even if the Supplier had breached Regulation 14(3).*

#### *The provision of information by the Supplier at the Time of Sale*

*The PR says that Mr and Mrs G were not given sufficient information at the Time of Sale by the Supplier in order to make an informed choice.*

*It isn't clear what information the PR thinks the Supplier failed to provide at the Time of Sale. But as I've already indicated, the case law on Section 140A makes it clear that it does not automatically follow that regulatory breaches create unfairness for the purposes of the unfair relationship provisions. The extent to which such mistakes render a credit relationship unfair must also be determined according to their impact on the complainant.*

*So, while I acknowledge that it is also possible that the Supplier did not give Mr and Mrs G sufficient information, in good time, in order to satisfy the requirements of Regulation 12 of the Timeshare Regulations (which was concerned with the provision of 'key information'), even if that was the case, neither Mr and Mrs G nor the PR have persuaded me that they were deprived of information that would have led them to make a different purchasing decision at the Time of Sale. And with that being the case, even if there were information failings (which I make no formal finding on), I can't see why they led to a financial loss.*

#### *Mr and Mrs G's complaint of an unauthorised credit broker*

*As set out above, Mr G made an additional complaint to the Lender that the Supplier did not have the correct regulatory authorisation to broker the credit agreement. The Lender responded to this point and explained that the Supplier was correctly authorised to carry out the activity. Mr G has not indicated to this Service whether he accepts the Lender's position on this, but for completeness, I do not think this complaint point ought to be upheld.*

*The Credit Agreement to which this complaint relates is dated 31 March 2013. At that time, Credit Brokers had to be licenced by the Office of Fair Trading ('OFT').*

*The credit broker named on the Credit Agreement appears to be a subsidiary of the Supplier, and our records show that the Supplier was suitably licenced. I cannot see a reason why an unlicenced entity would have brokered this particular Credit Agreement, when the Compliance Confirmation was completed by the representative of a duly licenced entity, and the same sales company was responsible for and had completed all the other parts of the sale.*

*But even if I am wrong about this, and an unlicenced entity brokered this particular Credit Agreement (and I don't think I am) it is not something that would warrant compensation being paid to Mr and Mrs G in any event. Under the terms set out by the OFT, a breach of the licencing requirements would not make the Lender liable to pay Mr and Mrs G compensation (unlike later loans regulated by the FCA). Further, I can't see how this could have caused an unfair relationship between Mr and Mrs G and the Lender that warranted a remedy as Mr and Mrs G took out the loan with the Lender as expected. I fail to see how the regulatory status of the broker was important to them at the Time of Sale or caused them an unfairness once the loan was in place.*

#### *Mr and Mrs G's Commission Complaint*

*I note that one of Mr and Mrs G's other concerns relates to alleged payments of commission by the Lender to the Supplier for acting as a credit broker and arranging the Credit Agreement. The Supreme Court's recent judgment in Johnson and Wrench -v- FirstRand*

*Bank, and Hopcroft -v- Close Brothers [2025] UKSC 33 ('Johnson, Wrench and Hopcroft') clarified the law on commission payments – albeit in the context of car dealers acting as credit brokers. In my view, the Supreme Court's judgment sets out principles which appear capable of applying to credit brokers other than car dealer–credit brokers. At present, I do not know what, if any, commission was paid by the Lender in respect of Mr and Mrs G's loan. Once I find out more information about this, I will finalise my findings on this complaint.*

## Conclusion

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*In conclusion, as things currently stand, I do not think that the Lender acted unfairly or unreasonably when it dealt with the relevant Section 75 claim(s), and if I put the issue of commission to one side for the time being, I am not persuaded that the Lender was party to credit relationships with Mr and Mrs G under the Credit Agreements that were unfair to them for the purposes of Section 140A of the CCA – nor do I see no other reason why it would be fair or reasonable to direct the Lender to compensate them.*

*But, as I've already suggested, the Supreme Court's pending judgment on Johnson, Wrench and Hopcroft may prove important to this complaint. And with that being the case, it is necessary to wait and consider the possible implications of that judgment and determine the level of the commission payment, if any, before finalising my thoughts on the merits of this complaint."*

## **The responses to the provisional decision**

The Lender responded to the PD and accepted it, and provided details of the commission that it had paid to the Supplier. The PR, on Mr G and Mrs G's behalf, did not accept it, but provided no further evidence that it wished me to consider.

Following this I also communicated to both sides how I was not persuaded that Mr G and Mrs G's credit relationship with the Lender was unfair to them for reasons relating to the commission arrangements between it and the Supplier.

The PR responded to say it had nothing further to add.

Having received the relevant responses from both sides, I am now finalising my decision.

## **The legal and regulatory context**

In considering what is fair and reasonable in all the circumstances of the complaint, I am required under DISP 3.6.4R to take into account: relevant (i) law and regulations; (ii) regulators' rules, guidance and standards; and (iii) codes of practice; and (where appropriate), what I consider to have been good industry practice at the relevant time.

The legal and regulatory context that I think is relevant to this complaint is, in many ways, no different to that shared in several hundred published ombudsman decisions on very similar complaints – which can be found on the Financial Ombudsman Service's website. And with that being the case, it is not necessary to set out that context in detail here. But I would add that the following regulatory rules/guidance are also relevant:

### The Office of Fair Trading's Irresponsible Lending Guidance – 31 March 2010

The primary purpose of this guidance was to provide greater clarity for businesses and consumer representatives as to the business practices that the Office of Fair Trading (the 'OFT') thought might have constituted irresponsible lending for the purposes of Section 25(2B) of the CCA. Below are the most relevant paragraphs as they were at the relevant

time:

- Paragraph 2.2
- Paragraph 2.3
- Paragraph 5.5

#### The OFT's Guidance for Credit Brokers and Intermediaries - 24 November 2011

The primary purpose of this guidance was to provide clarity for credit brokers and credit intermediaries as to the standards expected of them by the OFT when they dealt with actual or prospective borrowers. Below are the most relevant paragraphs as they were at the relevant time:

- Paragraph 2.2
- Paragraph 3.7
- Paragraph 4.8

#### **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.

Following the responses from both sides, I've considered the case afresh. And having done so, and because no new evidence has been submitted or arguments made in response to my initial findings, I see no reason to depart from the outcome as set out in the provisional decision above.

Given the facts and circumstances of this complaint, I do not think that the Lender acted unfairly or unreasonably when it dealt with Mr G and Mrs G's Section 75 claims, and I am not persuaded that the Lender was party to a credit relationship with them under the Credit Agreement that was unfair to them for the purposes of Section 140A of the CCA. And having taken everything into account, I see no other reason why it would be fair or reasonable to direct the Lender to compensate Mr G and Mrs G.

#### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 3 February 2026.

Chris Riggs  
**Ombudsman**