

## **Complaint**

Mrs R and Mr R have complained about a loan Shawbrook Bank Limited (“Shawbrook”) provided to them. They say that the loan was unaffordable.

Mrs R and Mr R are being represented by a Claims Management Company (“CMC”).

## **Background**

In October 2019, Mrs R and Mr R purchased some windows. The purchase price of the windows was £7,275.00. Mrs R and Mr R paid a deposit of £150 and Shawbrook provided Mrs R and Mr R with a fixed-sum loan for the remaining £7,125.00 in order to facilitate their purchase.

Mrs R and Mr R’s loan had a term of 71 months and a ‘Buy Now Pay Later option’. This meant that they didn’t have to make any payments within the first 12 months of the loan. However, if they chose to settle the amount owing in full at any stage during this period they wouldn’t have had to pay interest at all.

If Mrs R and Mr R did not settle the loan in full with the first 12 months, they’d then make 60 monthly repayments from the date of the loan’s first anniversary on a loan with an overall APR of 19.9%. If the loan ran to term this meant that the total amount to be repaid of £12,904.20 (not including Mrs R and Mr R’s deposit), which included interest, fees and charges of £5,779.20, would be repaid in 60 monthly instalments of £215.07.

One of our investigators reviewed what Mrs R and Mr R and Shawbrook had told us. And he thought that Shawbrook hadn’t done anything wrong or treated Mrs R and Mr R unfairly. So he didn’t recommend that Mrs R and Mr R’s complaint be upheld.

The CMC, on behalf of Mrs R and Mr R, disagreed with our investigator’s assessment and asked for an ombudsman to look at the complaint.

## **My findings**

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website and how we might tell a business to put things right should we agree that a borrower shouldn’t have been lent to. And I have used this approach to help me decide Mrs R and Mr R’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs R and Mr R’s complaint. I’ll now explain why in a little more detail.

Shawbrook needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Shawbrook needed to carry out proportionate checks to be able to understand whether Mrs R and Mr R could afford to repay before providing this loan.

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 a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more 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 lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Shawbrook says it agreed to Mrs R and Mr R's application after they provided details of their monthly income. It says it cross-checked this against information on a credit search it carried out. And in its view, all of this information showed Mrs R and Mr R could afford to make the repayments they were committing to.

On the other hand, the CMC says Mrs R and Mr R should not have been provided with this loan.

I've carefully thought about what the CMC and Shawbrook have said.

The first thing for me to say is that I'm unclear on how and why the CMC has pursued this complaint to this stage. I say this because Shawbrook confirmed its final response that the loan was settled in full in May 2020 and this was during Mrs R and Mr R's Buy Now Pay Later Option period. As far as I can see, this is supported by the copy of the credit file which the CMC itself has provided. So I'm satisfied that Mrs R and Mr R didn't pay interest at all on this loan.

In these circumstances, it's unclear what it is the CMC is seeking in this case, given it says Mrs R and Mr R want a refund of all the interest and charges they paid. And given no monthly payments at all were made on this agreement, I'm also particularly concerned by the CMC's argument that Mrs R and Mr R struggled to keep up with repayments, they never had to actually make, every month. In these circumstances, it's difficult to place any weight at all on the submissions that have been made.

In any event and aside from my concerns about the arguments that the CMC has made, the information provided does indicate that Shawbrook didn't just rely on what it was told at the time of the application. Mrs R and Mr R were asked to provide some details regarding their incomes. But Shawbrook did carry out credit searches on Mrs R and Mr R too. And I've had a look at the information on these credit searches.

I don't agree with the CMC when it says that Mrs R and Mr R were overly indebted. And when it is taken into account that this was a joint loan, I don't think that there was anything in the information that was gathered to indicate that Mrs R and Mr R might have found it difficult to make the monthly payments to this agreement in the event that they had to.

Furthermore, as I've explained, Mrs R and Mr R went on to repay the loan in full within six months (well ahead of the end of the Buy Now Pay Later Option and without having to pay any interest. In these circumstances, it's difficult for me to accept that Mrs R and Mr R couldn't have made the loan repayments, in the way that the CMC has argued, had they needed to do so.

As this is the case and bearing in mind everything provided, I don't think that Shawbrook did anything wrong when deciding to lend to Mrs R and Mr R. In my view, it carried out reasonable and proportionate checks which suggested that it was more likely than not that

the repayments were affordable for Mrs R and Mr R. And whilst this is not in itself determinative, the fact that the full amount of the loan was paid in May 2020, does support this being the case.

For these reasons, I don't think that Shawbrook lent irresponsibly to Mrs R and Mr R or otherwise treated them unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here. And I'm therefore not upholding this complaint.

I appreciate this will be very disappointing for Mrs R and Mr R. But I hope they'll understand the reasons for my decision and that they'll at least feel their concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mrs R and Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 6 August 2024.

Jeshen Narayanan  
**Ombudsman**