

Complaint

Mr M has complained about a loan Shawbrook Bank Limited ("Shawbrook") provided to him. He says his use of credit was already high and his credit score was poor so this should have shown that the loan was unaffordable.

Background

Shawbrook provided Mr M with a loan for £1,000.00 in March 2019. This loan was due to be repaid in 36 monthly instalments of £35.27. One of our investigators reviewed what Mr M and Shawbrook had told us. And she thought that Shawbrook hadn't done anything wrong or treated Mr M unfairly. So she didn't recommend that Mr M's complaint be upheld. Mr M disagreed and asked for an ombudsman to look at his 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 I've used this approach to help me decide Mr M's complaint. Having considered everything, I've decided not to uphold Mr M's complaint. I'll 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 Mr M 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 Mr M's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr M could afford to make the repayments he was committing to. On the other hand, Mr M has said he shouldn't have been lent to.

I've carefully thought about what Mr M and Shawbrook have said. The first thing for me to say is that this was Mr M's first loan with Shawbrook. And Shawbrook has provided an output of the income and expenditure information it obtained at the time of Mr M's application as well as a record of the results of its credit searches.

Shawbrook's searches appear to show that Mr M did have some existing debts. The majority of which was made up of his mortgage. Crucially, according to the credit searches, Mr M's existing debts were being well maintained and there was no significant adverse information such as defaults or county court judgements ("CCJ"). And when payments for Mr M's active credit commitments, were deducted from his income, he does appear to have had sufficient funds left over to cover living expenses and the low monthly payments to this loan.

I accept that Mr M appears to be suggesting that his actual circumstances weren't fully reflected either in the information he's provided, or the information Shawbrook obtained at the time.

But Shawbrook could only make a reasonable decision based on the information it had available at the time. And as this was a first loan with low monthly payments and there wasn't anything to indicate that Mr M might have been experiencing financial difficulty at the time, I'm satisfied that Shawbrook was reasonably entitled to believe that Mr M could afford to make his payments.

I accept that it is possible – but not certain - that Shawbrook might have reached a different conclusion on whether to provide this loan had it seen Mr M's bank statements. But given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements.

As this is the case, I don't think that Shawbrook did anything wrong when deciding to lend to Mr M – in my view, checks carried out, which were proportionate, suggested the low monthly repayments – of just over £35 a month - were affordable.

So overall I don't think that Shawbrook treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 October 2023.

Jeshen Narayanan
Ombudsman