

The complaint

Mr L complains that his account with Sainsbury's Bank Plc (Sainsbury's) incurred interest, fees and charges as a result of a payment error, and his credit file has been adversely affected.

What happened

Mr L had a credit card with Sainsbury's which was arranged to be paid in full each month via direct debit. Mr L says he called Sainsbury's on 28 February 2023 to cancel his direct debit, bring his balance to £0 and close his account. However, on 3 March 2023 Sainsbury's collected a direct debit of £139.50, leaving his account with them in credit.

Mr L is unhappy that Sainsbury's collected the direct debit even though he had asked them to cancel it. Mr L says because of this he was unable to manage his monthly finances effectively and was left in a difficult financial position.

On 4 March 2023 Mr L called Sainsbury's to complain about this and asked them to refund the £139.50 they had collected via direct debit. But on 7 March 2023, after waiting a few days, Mr L raised an indemnity claim with his bank, as the refund from Sainsbury's had not yet been returned to him. On 8 March 2023 Mr L received £139.50 refund back. Mr L says he has not received the money back from the indemnity claim.

Sainsbury's say its standard process is to begin collecting the funds for a direct debit 3 days early to ensure there are sufficient funds in the customer's account, so they had not received instructions in time to cancel it. Also, Sainsbury's say that Mr L should've waited for the manual refund to reach his account. And because he didn't, he received £139.50 back twice – once from a manual refund and once through the indemnity claim. This meant his account with Sainsbury's went back into debt by £139.50. And because Mr L has not paid this outstanding balance, they have applied interest, fees and charges to his account.

Our investigator considered the evidence here and decided to uphold the complaint in Mr L's favour. Sainsbury's disagreed so the complaint was passed to me for a decision.

I issued my provisional decision on 11 December 2023, in this I explained that:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I have provisionally decided to uphold Mr L's complaint in part as I have explained below. But my outcome is different to the investigator's outcome.

Sainsbury's have told us that it's their usual process to begin collecting a direct debit three days early, to ensure there are sufficient funds in the customer's account. I understand this is their usual process and I'm not asking them to change this. However, I think this process was unfair to Mr L in the circumstances of this case. Mr L says he manages his monthly finances carefully and it's likely he set up his direct debit on a date each month that suited his other financial obligations. Mr L believed he had cancelled the direct debit and that his outstanding balance was £0, so he was not expecting £139.50 to be debited from his

account a few days later. Because of this Mr L experienced financial difficulty, and I think this was unfair.

I've seen evidence from Mr L's current account provider that the indemnity claim of £139.50 was paid back into Mr L's account. It is recorded on his statement as "Direct Debit Dispute". I've also seen evidence that Mr L received a manual credit refund from Sainsbury's of £139.50 on 8 March 2023. So, I am satisfied that Mr L received the refund of £139.50 from Sainsbury's twice. And so, it follows that I don't think Sainsburys need to bring his account to £0 and Mr L is required to pay the £139.50 outstanding with Sainsbury's.

Mr L's internet account access was removed once he told Sainsbury's he wanted to close his account, so he was no longer able to view any account information quickly and easily. But he continued receive paper statements. Mr L received a statement in April 2023 to say there was an outstanding balance of £139.50. So, he called Sainsbury's to discuss this as he didn't think this was correct.

I've listened to several calls between Mr L and Sainsbury's between 3 March 2023 and 29 May 2023. I think it's clear from these calls that Mr L was genuinely unaware that he was credited £139.50 twice. And during the calls Sainsbury's did not tell him this either. Mr L was given inconsistent information about what his outstanding balance was and why – and was even told on the phone that there was nothing left for him to pay. So, I don't think it's fair that Sainsbury's continued to add interest, fees and charges to his outstanding balance because they told him there was no outstanding balance when he called to ask.

My provisional decision

So, for all the reasons outlined above, I currently intend to uphold Mr L's complaint in part and tell Sainsbury's to:

- amend Mr L's outstanding balance on his Sainsbury's account to £139.50 in debt - removing any interest, fees and charges that were added in relation to the outstanding amount of £139.50.*
- remove any negative information recorded on Mr L's credit file in relation to the outstanding £139.50.*
- pay Mr L £200 in compensation for the stress and inconvenience."*

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 28 December 2023. Both parties responded to my provisional findings and agreed with what I said. Neither party raised any disputes or provided anything further to consider. So, I am proceeding to my 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.

As there's no new information for me to consider following my provisional decision, I have no reason to depart from those findings. And as I've already set out my full reasons why I am upholding this complaint in part, I have no other findings to make.

Putting things right

At the time of writing this decision Mr L has repaid some of the outstanding balance on the card and Sainsbury's have told us that he currently has £93.89 outstanding. Once Sainsburys remove any interest, fees and charges, as I recommended, Mr L has an outstanding balance of £74.50. Sainsburys proposed, and Mr L agreed, to write off Mr L's outstanding balance with them and pay him the difference between the £200 compensation and the outstanding balance left on his account.

Furthermore, Sainsburys need to remove any negative information recorded on Mr L's credit file in relation to the outstanding £139.50.

My final decision

I uphold Mr L's complaint in part and Sainsbury Bank PLC must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 5 February 2024.

Sienna Mahboobani
Ombudsman