

The complaint

Mr H complains about the service he received from Sainsbury's Bank Plc and that his personal loan account was defaulted and passed to a third-party collection agency.

What happened

Mr H's income was impacted due to the pandemic, and he was unable to meet the contractual payments to his Sainsbury's personal loan. During the pandemic Mr H was given some payment deferrals and later a reduced payment arrangement was agreed.

On 7 July 2021 Sainsbury's wrote to Mr H as the payment arrangement had come to an end. At this point the arrears on the loan were £2,290.74. The letter said that Sainsbury's may issue a default notice if Mr H didn't contact it and he was unable to keep up the required payments. The letter also explained what a default notice was, and the consequences of an account being defaulted.

Mr H says when he'd found new employment, he contacted a debt advice service for help to get his finances back on track. He completed an income and expenditure breakdown and the debt advice service suggested he could afford to pay £72.35 per month to his Sainsbury's loan. Mr H says he wrote to Sainsbury's on 21 July 2021 with the details of the income and expenditure breakdown and his payment proposal.

Mr H contacted Sainsbury's on 9 August 2021 when his letter wasn't acknowledged. But he was told his letter hadn't been received as he'd written to the wrong address and that he'd need to send it again. Mr H was also told that when Sainsbury's had received the information it would look to put a payment plan in place. Mr H sent the information again. But when he called Sainsbury's to follow this up, he was told his account had been defaulted and passed to a collection agency.

Mr H is unhappy about the action taken by Sainsbury's. And the way he was dealt when he called to discuss what was happening with his account in September 2021. He says Sainsbury's staff were curt, dismissive, and hostile. So, he complained.

Sainsbury's hadn't completed its review into Mr H's complaint in November 2021, so it provided referral rights to this service. Mr H referred his complaint to us on receipt of the letter. While the complaint was waiting to be looked into by an investigator, Sainsbury's issued its full final response to this complaint.

It said that when Mr H originally called in August 2021 and had been asked to send in another copy of his income and expenditure breakdown, the intention was to allow its collections team to set up a payment arrangement when Mr H's account had defaulted. Sainsbury's explained that at the time of this call this was its collection process. But it had subsequently made the business decision to pass defaulted accounts to a collection agency.

It said its internal collections team was no longer able to agree payment plans but the collection agency would be able to discuss a payment arrangement with Mr H. So, it didn't think it had done anything wrong in this respect. But it did agree that the call Mr H had with

its staff in September 2021 could have been handled better. In recognition of the upset caused it offered Mr H £50 compensation.

Our investigators looked into the matter. During her investigation she noted that while the complaint had been with our service Mr H had referred to other complaint points relating to events both prior to and after this particular complaint. The investigator told Mr H that she had arranged for new complaints to be set up for these issues to be considered. And she confirmed that under this complaint reference the following complaint points would be addressed: the poor customer service Mr H had received over the phone in September 2021 and whether Sainsbury's had acted fairly in referring Mr H's account a collection agency.

Having considered these points, she didn't think that Mr H had been detrimentally affected by Sainsbury's decision to pass Mr H's account to a third-party as the option for a payment plan was still available. She said that - even if a payment plan had been agreed directly with Sainsbury's, given the outstanding arrears and the reduced payment Mr H was able to offer, his account would have always defaulted. But she did think Mr H had been given some mis-leading information during a phone call and that the call could have been handled better. She recommended that Sainsbury's should increase its offer of compensation to £150.

Both Sainsbury's and Mr H disagreed with the outcome. As agreement wasn't reached the complaint has been passed to me to decide. Due to an oversight, there was delay in this complaint being passed forward for a decision. This matter is being looked into separately.

I issued a provisional decision.

What I said in my provisional decision dated 28 November 2023

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 think it would be helpful to explain the scope of this decision. I've seen that Mr H has raised issues with Sainsbury's during the time he was financial difficulty. And I've seen that Sainsbury's responded as it issued two separate final responses letters in March and May 2021.

But Mr H approached this service towards the end of 2021 when Sainsbury's hadn't responded to a further complaint, he'd raised with it in September 2021. I can see there is some overlap in the issues Mr H has had with Sainsbury's as they all stem from the personal loan. But it is the events – which was subsequently addressed by Sainsbury's final response letter date 8 December 2021, that this decision relates to. Any other complaint points have been/will be addressed under separate complaint references - including Mr H's latest concerns about the outstanding balance on the loan. So, I make no findings in relation to those complaints.

I've looked at a copy of the letter which was issued to Mr H on 7 April 2021 and his loan statements. These indicate that Mr H's previous payment arrangement had ended in early April 2021. The letter explains that Sainsbury's needed to discuss Mr H's account further and that it may default Mr H's account if it didn't hear from him, and he couldn't maintain his payments. Overall, I find that Sainsbury's did enough at this point to inform Mr H what he needed to do and that his account could be defaulted.

Mr H wrote to Sainsbury's on 21 July 2021 to confirm he'd been in touch with a debt advice service. He requested an interest freeze for a further 12 months and offered a payment plan of £72.35 per month in line with the income and expenditure breakdown he'd completed. But Sainsbury's says it didn't get this letter.

Mr H has said matters would have been smoother if he'd been able to send the information by email – particularly, as he says Sainsbury's provided the wrong postal address. While I appreciate why Mr H may have preferred to send information by email, I don't find Sainsbury's request for the information to be sent by post to be unreasonable.

I've thought about what Mr H has said about Sainsbury's providing the wrong postal address. But, having reviewed the correspondence Sainsbury's sent Mr H it seems that it has two different postal addresses. As both addresses were valid Sainsbury's postal addresses, I'm not persuaded that Sainsbury's provided a wrong postal address, I think it's more likely that Mr H wrote to the address he found on one of the letters he'd previously received. It's not clear why Sainsbury's didn't get the letter, but I have no reason to doubt that it wasn't received as post can go astray from time to time.

I've gone on to listen to the call recording from 9 August 2021. And I agree with Mr H that the call handler told him that he'd have 40 days to resend the information and - on receipt, Sainsbury's would be able to discuss setting up a payment plan. I also accept that Sainsbury's defaulted Mr H's account and passed it to a debt collector before 40 days had elapsed. So, I've thought about whether Sainsbury's action was unfair.

It's not in dispute that by April 2021 Mr H's loan was already in arrears and although he was able to start making some repayments, the repayments he was able to offer were significantly less than his monthly contractual payments.

Industry guidance says that a lender can default an account when a debt is more than six months in arrears. And that is the case here. And while I appreciate that Mr H was given the expectation that he could arrange a payment plan with Sainsbury's, I'm satisfied that the call handler made Mr H aware that would subject to the account being defaulted (if he wasn't able to repay the outstanding arrears in full) and the impact this would have on his credit file. As such, even if Sainsbury's hadn't changed its process and its internal collection team could have agreed a payment arrangement, I'm persuaded that Mr H's account would have always been defaulted.

I've seen that Sainsbury's issued Mr H with a default notice on 19 August 2021. This explains that if Mr H is unable to clear the arrears before 15 September 2021 – and it's not in dispute that this isn't something he could do, that the account would be defaulted. Mr H hasn't said whether he received the default notice, but the notice was addressed correctly.

Sainsbury's has since explained that around August 2021, it made a business decision to change its process and that accounts which had been defaulted would be passed to a debt collection agency and payment plans could be arranged with it. Mr H has said he doesn't think this is true. But I've not seen anything to persuade me that Sainsbury's explanation about the change to its process was incorrect – it's a process that many lenders adopt. Overall, I'm persuaded the information given to Mr H in the August phone call was correct at the time. But I can see why the unfortunate timing of the change in process has led Mr H to question how his account was handled. So, while I don't find Sainsbury's did anything wrong when it passed Mr H's account to a collection agency, I'm persuaded that Mr H suffered some inconvenience because of not being able to deal with Sainsbury's as he'd expected.

Mr H has said it took 50 minutes to get through to a call handler when he called Sainsbury's in September 2021. And he's raised concerns about how he was treated during the call. I've listened to this call. The call – when put through to a call handler, wasn't very long and much of the call Mr H was on hold waiting to be passed to a manager. But while the call could've been handled better, I don't find the call handler was rude to Mr H.

Taking into account that the call could have been handled better and that the unfortunate timing of Sainsbury's change in process, I think compensation is due for the inconvenience and upset caused to Mr H. Overall, I think £150 fairly recognises the impact these issues had on Mr H.

But given the status of Mr H's account in April 2021, I'm persuaded the account would have always been defaulted – even if Sainsbury's had been able to agree a payment plan with him. While I appreciate that Mr H would have liked to continue to discuss payment plan options directly with Sainsbury's, I don't think it was unfair that Sainsbury's referred his account to a debt collection agency. In doing so, interest and charges are suspended, and collection agencies can agree reduced payment arrangements which is what Mr H has said he was seeking. So overall I don't think Sainsbury's treated Mr H unfairly in this respect.

I can see that Mr H has raised concerns about how Sainsbury's handled this complaint. He has mentioned that it took months to respond and told him to refer the complaint to this service without issuing a full response. I should explain that a business is allowed up to eight weeks to respond to complaints. I acknowledge that Sainsbury's full response was just outside these timescales. But in providing referral rights to Mr H at the end of the eight weeks, the delayed full response hasn't prevented Mr H's complaint from being referred to this service.

Responses to my provisional decision

Sainsbury's responded to say it accepted the provisional decision in order to resolve the complaint.

Mr H said he thought he should be receiving a minimum of £200 compensation. In summary he said:

- Sainsbury's don't appear to understand or be aware of the correct procedure and operational functions of recognised debt advice agencies.
- It had been his intention to begin a payment plan when he first contacted Sainsbury's following the inclusion and involvement of a debt advice agency. But Sainsbury's made no effort to respect that intention.
- He doesn't agree that a previous payment that had been in place ended in April 2021 as I mentioned in my provisional decision.
- The main issue is not the reporting of the debt. Rather, his main concerns are the poor level of service received and lack of communication from Sainsbury's.
- The originally £50 compensation offered by Sainsbury's should be in addition to the £150 compensation mentioned in the provisional 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.

Firstly, I want to clarify that I've taken into account all the information Mr H has provided and the points he has made - both prior to my provisional and his responses to it. But as an informal dispute resolution service, we are tasked with reaching a fair and reasonable conclusion with the minimum of formality. In doing so, it is not necessary for me to respond to every point made, but to consider the circumstances of the complaint as a whole. And I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome.

Having done so, while I appreciate Mr H's strength of feeling about what happened - overall, for the reasons given in my provisional decision (which form part of this final decision – so I won't repeat them all here), I'm satisfied that £150 fairly recognises the impact these issues had on Mr H. But I will add some further comments.

Mr H has mentioned that Sainsbury's had already offered £50 compensation so he thinks this should be awarded in addition to the £150 I've said Sainsbury's should pay him. In its final response letter Sainsbury's offered £50 to acknowledge some service failings. And I agreed that Mr H hadn't received the level of service he should have, which is why I increased the compensation award to £150. So, the award I make includes the £50 already offered by Sainsbury's.

Overall, I've found that Mr H's account would have always been defaulted. I acknowledge that Mr H has said this isn't the crux of his complaint, and his concerns are about poor service and lack of communication. But apart from the service failings mentioned in my provisional decision, I don't think overall, Sainsbury's treated Mr H unfairly.

Mr H says that his previous payment plan didn't expire in April 2021. But I disagree. Sainsbury's has provided this service with a letter issued to Mr H on 7 April 2021 and his loan statements. The letter also asked Mr H to contact Sainsbury's to discuss his loan going forward. So, I'm persuaded that Mr H's previous payment arrangement had ended in early April 2021.

Mr H submitted new payment proposals that had been worked through with a debt advice agency. But a lender is not obliged to accept any proposal put to it. I acknowledge that Sainsbury's initially indicated a further payment proposal would be considered by it and it's unfortunate that Sainsbury's changed its internal process before a payment plan could be agreed. But I don't find it was unfair that Sainsbury's referred Mr H's account to a debt collection agency. In doing so, interest and charges are suspended, and collection agencies can agree reduced payment arrangements which is what Mr H has said he was seeking.

Overall, for the above reasons and those set out in my provision, I find £150 (total) is a fair and reasonable amount of compensation for the inconvenience and upset caused to Mr H. I'd like to be clear that this is not to minimise what Sainsbury's did wrong, it clearly didn't handle some matters as well as it should have. It's just that I've found compensation of £150 fairly recognises the impact the situation had on Mr H taking all the circumstances into consideration.

My final decision

For the reasons given above, I uphold Mr H's complaint.

Sainsbury's Bank Plc should now pay Mr H £150 compensation in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 January 2024.

Sandra Greene
Ombudsman