

The complaint

Miss M complains that Sainsburys Bank Plc lent to her irresponsibly.

What happened

In February 2017 Miss M applied for a loan. Sainsburys approved the loan and gave Miss M a loan for £3000 over 62 months with monthly repayments of £75.79.

Miss M complained that Sainsburys had lent to her irresponsibly.

Sainsburys didn't uphold the complaint. It said it had carried out proportionate checks before lending to Miss M.

Miss M remained unhappy and complained to this service.

Our investigator upheld the complaint. She said she thought Sainsburys could've done more when Miss M told them she was in financial difficulties. The investigator recommended that Sainsburys should have frozen all interest and charges from this date.

Sainsburys didn't agree. It said it didn't think it had treated Miss M unfairly but said it would refund £12.73 to resolve the complaint (this sum being the interest applied between 18 June 2018 and September 2018).

Miss M didn't agree either. She said she'd found some old bank statements which showed that her income was less than she'd declared in her loan application.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Miss M's complaint.

Before agreeing to lend, Sainsburys needed to complete reasonable and proportionate checks to ensure that Miss M could sustainably repay what was being lent to her.

There's no set list of checks that a lender has to do. But lenders are required to have regard to things like the amount being lent, the total amount repayable, the monthly repayments and the consumer's individual circumstances when deciding what's reasonable and proportionate.

I've reviewed the checks that Sainsburys completed.

Sainsburys gathered information about Miss M's income and expenditure. It also carried out a credit check to see what other credit commitments she had and how these were being managed.

Using the information it had obtained from the checks, Sainsburys calculated that Miss M had disposable income of around £281 every month. Sainsburys determined that the loan repayment of £75 was affordable for Miss M.

Based on what I've seen, I think the checks were reasonable and proportionate.

I've gone on to consider whether the lending decision was fair and whether Sainsburys treated Miss M unfairly in any other way.

Looking at the information obtained from the credit checks, there's nothing to suggest that Miss M was struggling to repay her existing consumer credit commitments or that she was overly reliant on credit. Miss M's disposable income indicated that the loan was affordable for her. There was nothing to suggest that she was unlikely to be able to sustainably repay the loan.

Based on what I've seen I think the lending decision was fair.

I appreciate that Miss M experienced a change in her financial circumstances in or around May 2018. I can see that she contacted Sainsburys to let them know that she wouldn't be able to make any further payment to the loan. She did this in June 2018.

I'm sorry to hear that Miss M experienced these difficulties. However, I don't think Sainsburys could reasonable have foreseen this happening at the time of the lending decision. So, I don't think the lending was irresponsible.

That said, Miss M was clear with Sainsburys that she wouldn't be able to make any further payments. So, I think there is a case for saying that Sainsburys should have frozen interest and charges on the account at this point, rather than waiting a further 3 months before defaulting the account. Because of this, I agree with the investigator that the interest and charges which accrued from 18 June 2018 until the account was defaulted should be refunded back to the account.

Putting things right

Sainsburys should refund £12.73 back to the account.

My final decision

My final decision is that I uphold the complaint in part. Sainsburys Bank Plc must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 6 August 2023.

Emma Davy
Ombudsman