

The complaint

Mr T has complained that Sainsbury's Bank Plc has incorrectly recorded a default on his credit file.

What happened

Mr T has said he discovered that there had been a default recorded on his credit file in January 2023 in a meeting with his mortgage advisor. Mr T says that due to him being on minimum hours at work he didn't have enough money to pay his credit card bill. As such, Sainsbury's agreed to a payment plan of £50.00 per month.

Unfortunately, Mr T didn't meet the terms of the payment plan as he missed a payment in September 2020. Mr T reached out to StepChange and was able to pay the credit card off and the account was closed.

Mr T says once he was made aware of the default (in January 2023) he contacted Sainsbury's Bank. He said he never received the default letter or arrears letters. As such, he feels the default has been recorded incorrectly. So, he would like the default to be removed from his credit file.

Sainsbury's looked into Mr T complaint and concluded that the default had been applied correctly. It said that Mr T had opened the account in December 2018. However, Mr T stopped making regular payment as such Sainsburys wrote to him detailing notifying him of the arrears. Mr T contacted Sainsbury's in December 2019 and advised he had an issue with his bank, which is why he had missed payments. However, in March 2020 he called Sainsbury's Bank and explained he was experiencing financial difficulty. Sainsbury's say it applied breathing space which meant he wasn't required to make payments for 30 days and wouldn't apply further fees and charges. It says the breathing space period was extended on two occasions.

Sainsbury's went on to say, at the end of these extensions it encouraged Mr T to seek independent financial advice. And between February 2020 to October 2020 payments were only received in two months, totalling £100.00. As Mr T wasn't meeting the minimum required payment to bring the account up to date, it wrote to him to explain it intended to default. Sainsbury's say Mr T called to discuss the issues and was told he needed to clear the arrears to stop the default or arrange a suitable plan that would clear the arrears. It defaulted the account after sending notice stating it needed a payment of £629.33 by 5 October 2020 or it would be defaulted.

So, Sainsbury's Bank didn't agree that it made an error. It said as a responsible lender, it has a responsibility to take steps to stop a customer's debt increasing and defaulting the account does this. It felt it had complied with the section 88 of the Consumer Credit Act 1974 and acted positively and sympathetically to Mr T's circumstances. It said, as Mr T's arrears were pre-dated Covid19 he wasn't eligible for a payment holiday.

Mr T remained unhappy, so he brought his complaint to our service. Our investigator looked into his complaint, but he didn't recommend it be upheld. Mr T remained unhappy and asked for the complaint to be referred to me.

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.

Having done so, I agree with the investigator's outcome for broadly the same reasons, I will explain why.

I have reviewed the Terms and Conditions of the account which state:

Firstly, Mr T has said that he doesn't believe that the letter Sainsbury's Bank issued on 7 September 2020 constitutes a default notice. Sainsbury's Bank are satisfied it meets the requirements of the Consumer Credit Act 1974 and from the evidence provided I am minded to agree, it outlines the alleged breach, the action which is required to remedy the breach and by what date this action is to be completed.

Mr T originally stated he hadn't received the letter date 7 September 2020 or the arrears letters (pre notice of default). Sainsbury's Bank have provided copies of the letters which were sent to Mr T and the address on these letters correlates with the address Mr T has provided our service with.

I have also reviewed the contact notes provided by Sainsbury's Bank, I can see on 28 August 2020, Mr T contacted Sainsbury's Bank to advise he had received a 'pre notice of default letter' and as he could only afford to pay £50 his account would be defaulted. On 14 October 2020 further notes show that Mr T was aware the account had been defaulted and he was liaising with StepChange. Therefore, while I appreciate Mr T has said he was unaware of his position as he hadn't received the letters, I don't agree. I say this because Mr T initiated contact with Sainsbury's Bank after receiving one of those letters. And when considering the events which followed, (Mr T making contact with StepChange and arranging lower monthly repayments) on balance I am satisfied he was aware of the circumstances at that time.

I have also considered the arrears on Mr T's account. Mr T had been in arrears since January 2020. We would expect a business to register a default if no payments had been made for at least 3 months payments, which is what had happened here. And as a responsible lender, Sainsbury's Bank has a duty to ensure it records accurate information to credit reference agencies.

I appreciate Mr T has said he was in arrears due to the difficult circumstances he faced at that time. But given that Sainsbury's Bank had agreed to 'breathing space' for 30 days where fees and charges were suspended, extended this on three occasions and asked Mr T to contact it to arrange a suitable repayment plan, I am satisfied it acted positively and sympathetically to his circumstances. And while we would expect a business to do this, it wouldn't necessarily stop them applying a default when an account had been in arrears for three months or more. As responsible lenders need to report accurate information to credit reference agencies.

So, with the above in mind, it follows that I won't be asking Sainsbury's Bank to do anything further.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 July 2023.

Jade Rowe
Ombudsman