

## **The complaint**

Miss L is unhappy that Sainsbury's Bank Plc wouldn't accept a payment plan that she offered to set up to help clear the arrears on her credit account or that Sainsbury's later defaulted her account and reported it as such on her credit file.

## **What happened**

Miss L found herself in financial difficulty and her Sainsbury's credit account fell into arrears. Miss L spoke to Sainsbury's about this and offered to clear the arrears on the account by paying £500 per month. But, when Sainsbury's discussed Miss L's monthly income and outgoings with her, it transpired that Miss L didn't have the disposable monthly income available to be able to pay £500 per month, and so Sainsbury's declined to set up the payment plan as Miss L had requested.

Miss L then advised Sainsbury's that she would clear the arrears in full by the end of the next month, July 2020. Sainsbury's asked Miss L to speak with them again at the beginning of July to review her income and expenditure again. However, Miss L didn't contact Sainsbury's again, and she didn't make the payment that she'd promised, and so Sainsbury's defaulted Miss L's account in August 2020 and reported the default to her credit file. Miss L wasn't happy about this, so she raised a complaint.

Sainsbury's looked at Miss L's complaint. But they noted that there had been arrears outstanding on Miss L's account for several months by the time that the account had been defaulted and explained that it wouldn't have been responsible of them to agree to the £500 per month payment plan offered by Miss L when the income and expenditure information demonstrated that Miss L wouldn't be able to afford such repayments.

Miss L wasn't satisfied with Sainsbury's response, so she referred her complaint to this service. One of our investigators looked at this complaint. But they also felt that Sainsbury's hadn't acted unfairly or unreasonably in how they'd managed the situation with Miss L's account arrears, including that Sainsbury's hadn't accepted the £500 payment plan and that they'd ultimately defaulted Miss L's account, and so they also didn't uphold the complaint.

Miss L remained dissatisfied, so the matter was escalated to an ombudsman for a 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.

I can appreciate that Miss L may have been keen to avoid, as much as possible, her credit file being impacted during the time that she was struggling to make payments towards her Sainsbury's credit account, and that she may feel aggrieved that she offered a payment plan to Sainsbury's to clear the arrears, only for Sainsbury's to refuse to set up the payment plan that she had offered to them.

But Sainsbury's, like all credit providers, are required to provide credit responsibly. And because of this I don't feel that it was unreasonable for Sainsbury's to have declined to set up the £500 per month payment plan that Miss L offered, and I say this because when Miss L confirmed her monthly income and expenditure to Sainsbury's at that time, it demonstrated that Miss L's actual disposable monthly income was approximately £20.

As such, given these circumstances, I'd almost certainly consider that Sainsbury's had acted irresponsibly if they had set up the payment plan that Miss L had suggested to them, and this is because it appears evident that Miss L wouldn't in all likelihood have been able to make the £500 monthly repayments that she was promising.

Miss L has stated that she could have temporarily stopped making car finance payments in order to clear the arrears on the Sainsbury's account. But again, it wouldn't be considered responsible for Sainsbury's to have agreed to this, given that it would have entailed Miss L falling into arrears with another credit provider in order to clear her arrears with Sainsbury's.

It's notable that, at the time that Miss L offered the £500 per month repayment plan to Sainsbury's, her account had been in arrears for several months. It's also notable that Sainsbury's had taken action to try to help Miss L recover her financial position during that time, including holding back collections activity on the account to give Miss L 'breathing space' as well as giving Miss L details of third party organisations that might have been able to help Miss L navigate the financial difficulties that she found herself in.

It's also important to confirm that all credit providers have an obligation to make accurate reports to the credit reference agencies. Sainsbury's appear to have been doing that here, and while I can appreciate that Miss L may have been dismayed to see that missed payments were being reported to her credit file by Sainsbury's during the period that she was in arrears and when Sainsbury's had placed a hold on her account, I'm satisfied that Sainsbury's actions in reporting such missing payments were fair and reasonable and in line with their obligations as a credit provider.

Finally, it should be noted that Sainsbury's weren't obliged to hold collections activity on the account indefinitely, which would have meant that the account continued to fall further and further into arrears. Indeed, it would almost certainly be considered irresponsible of Sainsbury's to have done this, and instead, in circumstances where an account has fallen into arrears over a period of several months and where the clearing of those arrears in a reasonable period of time is unlikely – which given the income and expenditure information that Miss L provided to Sainsbury's, I'm satisfied was the case in this instance – it's considered that the responsible course of action for a credit provider to take is to default the account, which freezes that balance outstanding on the account and prevents the account holder falling further into debt, and to report the default to the credit reference agencies.

Miss L may contend that she could have made payments towards the account to clear the arrears. But Miss L promised to make such a payment to Sainsbury's by the end of July 2020, but then didn't contact Sainsbury's further about this or make any payment to clear all or some of the arrears.

Miss L has stated that the reason that she didn't contact Sainsbury's was because of health issues that she was experiencing at that time. I can sympathise with Miss L here, but I'm not convinced that even had Miss L been able to contact Sainsbury's in July 2020 as Sainsbury's asked of her that Miss L would have been able to have made a payment necessary to avoid the account being defaulted. And I say this because Sainsbury's had recently been made aware of Miss L's financial position via the monthly income and expenditure information she had provided, and which showed that it was unlikely that Miss L would have been able to make a payment necessary to avoid the default being applied.

All of which means that I find it difficult to conclude that Sainsbury's have acted unfairly or unreasonably in how they managed the situation of Miss L being in arrears on her account, and I say this because Sainsbury's offered assistance to Miss L to help her try to recover her financial position and because I'm satisfied that it would have been irresponsible of Sainsbury's to have accepted the payment plan that Miss L offered to them or to have allowed the account to continue to fall further into arrears indefinitely.

It follows from this that my final decision here will be that I won't be upholding this complaint or instructing Sainsbury's to take any further action at this time.

I realise that this won't be the outcome that Miss L was wanting, but I hope that she'll be able to understand, given all that I've explained, why I've made the final decision that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 18 January 2022.

Paul Cooper  
**Ombudsman**