

## **The complaint**

Mr B is unhappy that Sainsbury's Bank Plc didn't provide financial assistance when he contacted them for help, and that Sainsbury's later defaulted his account for non-payment.

## **What happened**

Mr B had a Sainsbury's credit account. In March 2020, Mr B contacted Sainsbury's by telephone and explained that because of the impact of the Covid-19 pandemic that was emerging globally at that time, his household income had reduced such that he was unable to make the monthly contractual payments required on the account. Mr B therefore asked Sainsbury's for financial assistance, but was told by Sainsbury's that the department he needed to speak with was closed – also as a result of Covid-19 – and that Mr B would have to try to call back another time.

Mr B did try to call back, and he also sent letters and emails to Sainsbury's asking them for help. But Sainsbury's didn't respond to Mr B's attempts to contact them, and Mr B's account fell into arrears without any financial assistance from Sainsbury's being provided.

Sainsbury's later issued a letter advising that if Mr B was unable to clear the arrears by a set date that his account may be defaulted for non-payment. Mr B wasn't able to clear the arrears, and so Sainsbury's did default the account and reported it as such to the credit reference agencies. Mr B wasn't happy about this, so he raised a complaint.

Sainsbury's looked at Mr B's complaint. They acknowledged that they hadn't provided Mr B with the standard of service they aspire to when he'd contacted them about his financial difficulties, and they apologised to Mr B for this and made an offer to pay £150 compensation to Mr B for the trouble and upset this matter had caused.

Sainsbury's also offered to take corrective action to belatedly apply a payment holiday to his account, but noted that the terms of that holiday meant that it would have ended a few months prior, and so asked Mr B if he could make the two monthly payments that would have been required on the account had the payment holiday been in place and already ended.

Mr B confirmed that he wasn't able to make those payments, and so Sainsbury's felt that Mr B's account would have defaulted for non-payment following the payment holiday, and that leaving the originally applied default on Mr B's account would be of benefit to him because the earlier default date meant that the six year period which the default would be reported on his credit file would end earlier.

Mr B wasn't satisfied with Sainsbury's response, so he referred his complaint to this service. One of our investigators looked at this complaint. But because Mr B wasn't able to resume the contractual payments required on the account moving forwards, they also felt that Sainsbury's response to Mr B's complaint, including the offer of compensation and the maintenance of the original default, already represented a fair and reasonable resolution to what had taken place, and so they didn't uphold Mr B's complaint.

Mr B 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 issued a provisional decision on this complaint on 15 February 2022 as follows:

*In April 2020, the Financial Conduct Authority ("FCA") published temporary guidance regarding the provision of three-month payment holidays to eligible consumers who were experiencing difficulty meeting the payments due on their credit accounts because of financial difficulties brought about by the impact of Covid-19. The FCA guidance included that, for these three-month payment holidays only, the reporting of these payment holidays to the credit reference agencies would be suspended, so that an eligible consumer who benefited for such a payment holiday didn't have their credit file impacted by doing so.*

*The FCA subsequently updated its guidance and confirmed that eligible consumers would be able to receive a further three-month payment holiday if financial assistance were still required. Finally, the FCA confirmed that when the period where such payment holidays were mandated came to an end, consumers who had benefited from these payment holidays but who were still in financial difficulty should be provided continuing appropriate financial assistance by credit providers, that should be tailored to that consumer's individual needs.*

*In this instance it's notable that Mr B first asked Sainsbury's for a three-month payment holiday before the date that the FCA guidance came into effect. However, that such guidance would most likely come into effect was widely known at that time that Mr B made his request, and so it seems reasonable to me that Sainsbury's should have placed a temporary hold on Mr B's account until such time as the guidance came into force and Mr B could be assisted in line with his request.*

*It therefore seems apparent that Mr B should have been granted two consecutive three-month payment holidays under the FCA prescribed terms, and that following the end of the second payment holiday that Sainsbury's should have contacted Mr B and discussed his financial situation with him, and provided appropriate continuing financial assistance.*

*But that didn't happen here, and while Sainsbury's did offer to implement a backdated six-month payment holiday, they did so on the provision that Mr B should be able to resume making his full contractual payments at the end of that six-month period, and so didn't provide Mr B with the continuing tailored financial assistance, following the end of the payment holidays, as prescribed by the FCA.*

*Instead, when Mr B couldn't resume making full repayments from the time when the six-month payment holiday should have ended, Sainsbury's confirmed the defaulting of his account. And I can understand how this would have been upsetting for Mr B, in light of his personal and financial circumstances at that time and given that I'm satisfied that Mr B was entitled to further financial assistance at that time, which I feel would have been of benefit to him, that Sainsbury's didn't provide.*

*However, it must be noted that Sainsbury's wouldn't have been expected to have provided continuing financial assistance indefinitely, and that following the end of the*

*FCA prescribed payment holidays any financial assistance that Sainsbury's were to provide would have been reported to Mr B's credit file and would have negatively impacted his credit score.*

*Mr B has confirmed that he wasn't able to resume full payments at the end of the payment holiday period, and so it seems inevitable to me that Mr B would have incurred some form of adverse reporting on his credit file.*

*The ongoing nature of Mr B's financial difficulties means that I won't be instructing Sainsbury's to remove the default from Mr B's credit file as he would like here, and this is because, if Mr B did receive financial assistance from Sainsbury's – which may for instance have taken the form of suspended or reduced payments – then it would most likely have been expected that Sainsbury's would have recorded Mr B's account as falling into arrears because of these reduced payments and reported to the credit reference agencies as such.*

*Had Sainsbury's provided continuing financial assistance, and had Mr B's account fallen into significant arrears, as seems likely may have been the case here, then it would have been expected that Sainsbury's would have taken the action necessary to ensure that Mr B didn't continue to fall further and further into arrears – and that expected action would have been the defaulting of Mr B's account.*

*Ultimately, while the FCA prescribed payment holidays provided a period of relief for consumers in financial difficulty such as Mr B, it would always have been the case that if Mr B couldn't resume his full contractual payments, and the account continued to fall into arrears, that it would have been eventually expected of Sainsbury's that they would have defaulted the account.*

*Given that it seems likely, from the information available to me, including Mr B's own descriptions of his financial position, that Mr B wouldn't have been able to resume the full contractual repayments due on the account, so that I feel that it is most probable that Mr B's account would have defaulted for non-payment at some point, it seems that the best available outcome here for Mr B is that the default be applied to his account at the earliest possible opportunity, so that it consequently falls off his credit file, after six years, at the earliest possible opportunity.*

*And it must be noted that if I were to instruct Sainsbury's to remove the default from Mr B's account, and Mr B were then unable to meet the payments required on the account so that the default were applied again, this time at a later date, then that default would adversely affect Mr B's credit file for longer than the default presently in place.*

*This being said, if Mr B is able to confirm that he would be able to meet the full contractual repayments required on the account with immediate effect, I may be willing to reconsider my position on this matter, given the financial assistance Mr B should have received from Sainsbury's following the end of the FCA payment holiday period, but didn't.*

*Should it be the case that Mr B can resume full payments towards the account, then my instruction may include that Sainsbury's must take back Mr B's account from the third-party to whom it was sold. While I appreciate that Mr B would like the account to remain with the third-party, but the adverse credit file reporting to be removed, I would only consider instructing the removal of the adverse credit-file reporting on the condition that Sainsbury's take back the account and administer it on the original contractual basis moving forwards.*

*Finally, I don't feel that the £150 compensation that Sainsbury's have offered to Mr B takes sufficient account of the ongoing failure of Sainsbury's to provide either the FCA payment holidays or the subsequently prescribed financial assistance to Mr B that he was entitled to, and I'm satisfied that this has had a significant impact and caused Mr B considerable distress and inconvenience at a difficult and inopportune time.*

*As such, my provisional decision here is that I will be upholding this complaint in Mr B's favour on this limited basis and instructing Sainsbury's to increase the amount of compensation payable to Mr B by £250, to a total of £400. Sainsbury's may not forward this payment amount to the third-party to whom the debt was sold to reduce the arrears balance on the account unless Mr B gives his permission for them to do so.*

In my provisional decision letter, I gave both Mr B and Sainsbury's the opportunity to provide any comments or new information they might wish me to consider before I moved to a final decision.

Sainsbury's confirmed that they agreed with the spirit of my provisional decision, but questioned whether the further compensation payment I'd provisionally instructed them to pay to Mr B was merited here, as they felt that they'd taken reasonable steps to ensure that Mr B wasn't unnecessarily or unreasonably affected by what took place.

I can appreciate Sainsbury's position here, to a degree. But I continue to feel that Mr B did incur an amount of unnecessary distress and inconvenience here, both as a result of his being unable to contact Sainsbury's over a prolonged period of time, including because of the provision of an incorrect email address by Sainsbury's to Mr B – which Sainsbury's have themselves acknowledged and for which they have paid Mr B £150 compensation – as well as in regard to the wider point that Mr B wasn't set up on the FCA prescribed payment holidays when he should have been.

And, while I can appreciate that Sainsbury's were themselves having to deal with a challenging working environment at that time which can help explain why Mr B wasn't provided with these payment holidays in good order, I feel that the fact that Mr B had to chase Sainsbury's for the payment holidays for which he should have been eligible during a period of heightened financial and personal stress, and as such wasn't afforded the relief that having these payment holidays in place would have provided, does warrant the payment of further compensation beyond the £150 already paid by Sainsbury's in this instance.

For his part, Mr B responded to my provisional decision and confirmed that his financial circumstances haven't recovered such that he would be able to resume the contractual payments required by the account. As such, I won't be changing my provisional decision so as to instruct Sainsbury's to amend Mr B's credit file reporting, as I'm satisfied that Mr B's account would have been reasonably defaulted by Sainsbury's on the basis of outstanding arrears at some stage – as explained in my provisional decision. This also means that Mr B should continue to liaise with the third-party company with whom the account balance now resides moving forwards.

All of which means that my final decision here will be that I am upholding this complaint in Mr B's favour on the limited basis as outlined in my provisional decision, and I can confirm that I do uphold this complaint on that basis accordingly.

### **Putting things right**

Sainsbury's must make a further payment of £250 to Mr B to compensate him for the upset and inconvenience this matter has caused, taking the total amount of compensation payable to £400.

Sainsbury's may not forward this £250 payment amount to the third-party company to whom the debt was sold so as to reduce the arrears balance on the account unless Mr B gives his permission for them to do so.

### **My final decision**

My final decision is that I uphold this complaint against Sainsbury's Bank Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 April 2022.

Paul Cooper  
**Ombudsman**