

The complaint

Mr C is unhappy with the £100 compensation Sainsbury's Bank Plc offered after an error caused the late application of his credit card payment.

What happened

Mr C made a payment online on 19 September 2021 from his building society account to his Sainsbury's credit card. When he later checked his building society account he noticed the payment had not been successfully debited – they told him they did not know why. So he called Sainsbury's Bank and was initially told there was no record it had been received, but he was then told that the payment was pending, and it would go through in the next couple of days.

However on 8 October 2021 the payment was reversed from Mr C's credit card account and a £12 late fee was applied. Sainsbury's Bank has explained that it was informed by its bank that some of its customers' payments had credited their credit card accounts, but the funds hadn't debited the originating account. On 8 October 2021 a letter was issued to all affected customers to inform them of the problem and what would happen next. Mr C says he did not receive this letter.

On 22 October 2021 Mr C made a payment of £1,502.59 for his September and October 2021 expected payments. The £12 late fee was reversed from his account. Mr C called the customer services department as his card had been blocked. He was unhappy that despite having made the September and October payments, and the 'incorrect' arrears being very low Sainsbury's Bank would not immediately lift the block. He explains that its actions, poor service and lack of communication following the error with his September payment caused him significant inconvenience. He thought compensation of £500 would be more appropriate.

Our investigator recommended Sainsbury's Bank make a payment of £200 compensation. She said, in summary, the payment Mr C made on 19 September 2021 didn't debit his building society account and it therefore wasn't applied to his credit card, despite an entry being incorrectly updated on 20 September 2021 as a payment being received. She felt that once this error came to Sainsbury's Bank's attention it correctly informed Mr C on 8 October 2021. However, it should have ensured his account wasn't passed to collections, or that his card wasn't blocked. She said the bank had put things right with regards to interest and charges but felt the compensation should be increased given the impact on Mr C. She had considered the stress and inconvenience Mr C suffered as a result of the initial error, the inaccurate information about the payment, his card being blocked and so declined, and the poor telephone service he received.

Sainsbury's Bank disagreed arguing £100 was proportionate compensation. It said it acted fairly from the date it was made aware of the issue by its bank. It is unreasonable to expect it to monitor accounts individually based on another bank's error. Mr C was aware his payment hadn't debited his building society account and so should have been aware he may need to make the payment again. It asked for an ombudsman's review, so the complaint was passed 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 am upholding Mr C's complaint and instructing Sainsbury's Bank to pay £200 compensation. I'll explain why.

Certain aspects of the complaint are not in dispute, such as the poor call quality and phone service, e.g. the misleading response when Mr C was told the payment was pending and would be applied in the next couple of days and also when he wasn't advised his card was blocked so tried to keep using it.

But in response to the investigator's assessment Sainsbury's Bank said it had acted fairly from the date it was made aware of the issue by its bank. However, its own final response letter and case report notes suggest otherwise. They show Mr C was not sent the correct communications. The notes acknowledge he was sent details of the third-party bank error on 8 October 2021 but the notes go on to say *'customer should have been sent a letter when the issue was brought to our attention, providing him with 30 days notice that we would be debited [sic] again, giving him the opportunity prior to the next statement production. This would have prevented the account from falling into arrears and prevented a block to the account. As this was missed, process error our end.'* The notes go on to say its bank had contacted individual customer's banks so Mr C should have been notified anyway. But this does not change my finding as I am reviewing Sainsbury's Bank's actions.

It also argues Mr C should have known he might need to make another payment as he knew the funds remained in his building society account. But that is why he rang – and the outcome of that call was that the adviser told him the pending payment would credit his account in the next day or so.

Mr C has detailed the inconvenience and frustration this incident has caused him. I accept because of the way he manages his finances and uses the credit card, and what he had planned, it was significant. And I don't think Sainsbury's Bank did all it could to mitigate the impact of the initial problem. I have also considered how long the issue lasted. For that reason I don't find the £500 compensation Mr C seeks to be reasonable, but I am persuaded the investigator's recommended payment of £200 is fair.

Putting things right

Sainsbury's Bank must now pay Mr C £200 directly in full and final settlement of his complaint.

My final decision

I am upholding Mr C's complaint. Sainsbury's Bank Plc must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 August 2022.

Rebecca Connelley
Ombudsman