

## **The complaint**

Mr B complains that he had to make a further payment to his loan from Sainsbury's Bank Plc (Sainsbury's).

## **What happened**

Mr B borrowed £22,945 on a loan from Sainsbury's. Monthly repayments were £429.83. His income was affected by the pandemic and he asked for a payment holiday under the FCA's pandemic support scheme. This was agreed. (it was called 'Emergency Payment Freeze' by Sainsbury's). But there were some delays in putting it in place. The payment holiday (PH) was effective from August 2020 to October 2020. Mr B complained about how Sainsbury's had handled his PH request, and they apologised and paid compensation of £250. But - that's not the subject of this complaint.

As part of Mr B's PH, Sainsbury's made a manual payment of £429.83 to Mr B's loan account. This was to ensure his loan wasn't marked as being in arrears.

Mr B then decided to pay off the loan early and in October 2020, asked Sainsbury's for a redemption figure. They told him that was £2,578.98 and Mr B paid that amount off. In February 2021, March 2021, and August 2021, Sainsbury's wrote to Mr B to ask him for payment of £429.83.

Mr B complained. He said Sainsbury's had told him the amount to pay off the loan when he called them. And that was a commitment from Sainsbury's. He said they should honour that. So - he says he shouldn't have to pay the money. He says that to do so would cause him financial difficulty.

In May 2021, Sainsbury's said that they made the payment of £429.83 to Mr B's loan account to stop it from showing there were missed payments, and so that this wasn't reported to the credit reference agencies (CRAs). This was a temporary measure to help Mr B. But - they said the payment is still due under the loan contract and must be paid.

Mr B didn't agree and brought his complaint to us. Our investigator said that what happened was due to Sainsbury's having to quickly adapt their systems to handle the PH processes which were introduced by the FCA during the pandemic. As part of that, they made a manual payment of £429.83 so that Mr B's loan didn't fall into arrears and wasn't reported to the CRAs. But - Mr B owed the money under the loan contract. And Sainsbury's had advised him that it had to be repaid in their letter dated 20 July 2020. So - the sum should be paid by Mr B.

He said Sainsbury's could've advised Mr B more quickly after he contacted them, and they gave Mr B the wrong figure to repay his loan when he called them. For that, he said Sainsbury's should pay compensation of £100.

Mr B didn't agree and asked that an ombudsman look at his complaint.

## **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 accept Mr B's strength of feeling about what happened – as he had already gone through a number of problems with his request for a payment holiday, and then when he called Sainsbury's for a redemption figure, he was told that the amount was £2,578.98. So, he paid that amount, and closed the loan. He assumed everything was finished – but was then asked to pay £429.83 several months later.

The problems that Mr B had in setting up the payment holiday (PH) aren't part of this complaint. But as part of putting the PH in place, Sainsbury's made a manual payment to his loan – they told us (and Mr B) that this was needed to ensure his loan didn't fall into arrears or be reported to the CRAs. So – I can see that they did this to help Mr B. And it was done as part of the operational processes that Sainsbury's had to put in place to offer the PH scheme to customers.

Sainsbury's don't deny that they advised Mr B on the phone that the redemption figure for his loan was £2,578.93 – and that this was an error, as it didn't include the amount of £429.83. What I must decide is whether it is fair and reasonable to ask Mr B to pay that back after the loan was closed off.

I consider that the key issue here is the loan contract signed by Mr B – this made for 60 payments of £429.83. I've seen the contract. So – that's a contractual commitment that Mr B agreed to. And in not paying one instalment, I think it's fair to say that Mr B hasn't fulfilled the contract.

I also looked at the letter that Sainsbury's sent to Mr B on 20 July 2020. This was Sainsbury's final response to Mr B's complaint about the delay in the setting up of the PH (as I've said, this is not the complaint we are considering here). But as part of putting that right, the letter explained that a payment of £429.83 was being made to Mr B's loan to prevent the arrears and notification to the CRAs. The letter said “...*we have adjusted your loan account by crediting it with the sum of £429.83 to bring your account up to date.....this is however a payment that is still due under the contract, so you will need to pay this amount to us before your contract ends....as soon as you are able...please arrange to make payment of £429.83.*” And so – Mr B was told that the money had to be paid at the time .

I accept that Mr B was told the wrong amount when he called Sainsbury's – and that was an error. But I don't consider that outweighs the contract he had with Sainsbury's, and also, he was told that it needed to be paid at the time the PH was set up – In July 2020.

Sainsbury's made an error when they misadvised Mr B of the settlement amount when he called. This must have been frustrating to Mr B. So - I agree that payment of compensation of £100 is appropriate for this error.

I know this will be a disappointment to Mr B, but I'm not going to ask Sainsbury's to waive the payment of £429.83 and this remains due to be paid by Mr B.

## **My final decision**

I uphold this complaint. Sainsbury's Bank Plc must:

- Pay compensation of £100 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 January 2023.

Martin Lord  
**Ombudsman**