

## **The complaint**

Mr D complains that Sainsbury's Bank Plc unfairly terminated his loan account.

## **What happened**

In May 2018, Mr D took out a 5-year fixed sum loan agreement.

In 2019, Mr D found the loan repayments challenging. This is because he worked shifts and faced a number personal difficulties including care for his children and unwell mother.

At the end of 2019, Mr D missed a payment and went into arrears and Sainsbury's agreed to give Mr D a breathing space of one month.

Mr D continued to find payments challenging and made new payment arrangements in November 2020, January and February 2021. However, he was unable to meet these.

Mr D was unable to make the required payments in August and September 2021 and Sainsbury's issued a Notice of Sum in Arrears. As no payment was made this was followed by a pre default notice advising that a default notice would be issued if no contact was made within 10 days.

As Mr D didn't make contact, Sainsbury's issued a default notice in November 2021. However, Mr D didn't pay the full amount and Sainsbury's registered the default. Mr D made an additional payment to cover the arrears, however as this was after the deadline it was too late to stop the default.

Mr D complained to Sainsbury's who didn't consider they had made any mistakes. Mr D then complained to our service that he had been defaulted when not in arrears. Also, he was short by just over £30 in his payment having paid off a significant proportion of a large loan. In addition, he said Sainsbury's hadn't followed the Financial Conduct Authority (FCA) Covid-19 payment holiday guidance and hadn't done anything to help him.

Our investigator didn't uphold Mr D's complaint and, as he remains dissatisfied, this case has now been referred to me to look at.

## **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, for the following reasons, I'm not asking Sainsbury's to take any further action.

As there is evidence that Mr D had characteristics of vulnerability according to the FCA's guidance on this topic, I first considered Sainsbury's responses to Mr D's requests for support.

Mr D contacted Sainsbury's in January 2020 to say he was having difficulty making a

payment and requested a change in the payment date. There is evidence that Sainsbury's responded quickly by placing a 30 day hold on Mr D's account.

Although Sainsbury's were aware of the FCA's Covid-19 guidance, Mr D's financial difficulty pre-dated this. Also, the FCA made it clear payment holidays were not suitable for everyone and should only be applied to customers who were unable to maintain their payments. In addition, there are file notes for 2020 which show that Mr D communicated that his difficulties were personal, and he didn't wish to answer affordability questions or need extra support.

Furthermore, when Mr D communicated payment difficulties towards the end of 2020 and early 2021, I can see that Sainsbury's provided support in the form of three flexible payment arrangements. Also, they didn't challenge Mr D when he stopped his direct debit, which was the payment method stated in the agreement, and this meant Mr D made irregular payments on dates that suited him. Furthermore, Sainsbury's didn't charge fees for some late payments.

So, I'm satisfied that Sainsbury's did provide support to Mr D and I found this to be fair and reasonable.

I then considered Sainsbury's decision to close the account and record a default in relation to it. It's clear that having agreed the above-mentioned payment arrangements, Mr D was unable to make the payments. This resulted in Sainsbury's issuing letters about broken arrangements and arrears. As Mr D also missed payments in August and September 2021 and was still in arrears in October 2021, Sainsbury's issued a pre default notice which gave Mr D 10 days to avoid a default. However, Sainsbury's didn't receive any contact, so they issued the default notice.

Unfortunately, this payment deadline wasn't met, because the amount Mr D paid was insufficient. I can understand Mr D's frustration here. He had paid a significant proportion of the loan; the payment was only short by a small amount and he subsequently paid this. However, I found that Sainsbury's had been clear about the arrears, payment amount and date, and correctly followed their process with regards to collections and the default. Also, the loan agreement which Mr D agreed to said:

'Missing payments could have severe consequences on your credit rating, which might make it harder to get credit in the future. If you miss a number of payments, or do not make your monthly payments in full, we may end this loan agreement and you will have to repay the total amount you owe us early.'

'We will use your payments to repay the amount you owe us under this agreement in this order; first, towards any amount in arrears you owe because you did not make monthly payments in full when they were due; then, towards any monthly payments which are currently due; next, towards any additional arrears interest and late payment fees and lastly, towards reducing the remaining loan amount you owe us.'

So, I can't say that Sainsbury's default action was unfair or unreasonable. Ultimately it was clear that Mr D's financial difficulties were long term and that he didn't make the necessary payments to bring his account up to date within the timeframes that Sainsbury's set. So, I'm satisfied that Sainsbury's were entitled to record a default in relation to this loan and that it did so fairly. And, as previously mentioned, I'm satisfied that Sainsbury's approach to Mr D's payment difficulties and arrears over three consecutive years had been both supportive and flexible.

In summary, I haven't seen anything which suggests Sainsbury's have acted unreasonably

or unfairly here and I don't think they need to do anything further in this case.

**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 D to accept or reject my decision before 1 January 2023.

Paul Douglas  
**Ombudsman**