

## **The complaint**

Mr U is unhappy Sainsbury's Bank Plc defaulted his loan account.

## **What happened**

Mr U took out a £20,000 loan with a 60-month term in November 2017. The monthly repayment was £413.55. He paid by direct debit until April 2018. He then missed payments, or made payments lower than the contractual amount and built up arrears. He reinstated his direct debit in August 2018 but did not clear the arrears. He then did not make any payments from February 2019 to March 2020. The account was settled in October 2021.

Sainsbury's Bank says it sent Mr U a Notice of Arrears on 18 June 2018 and a Notice of Default Sum on 6 July 2018. A Default Notice was sent on 24 September 2018 and a further Notice of Arrears on 4 December 2018. Mr U cancelled his direct debit in February 2019. The account was defaulted on 17 April 2019 and the debt was sold to a third party on 10 March 2020.

Mr U says he only discovered the default in mid-2022 when he checked his credit file. He says he told Sainsbury's Bank he was having financial difficulties in March 2019. He did not receive any correspondence from the bank prior to the loan defaulting.

Mr U says the default has affected his health, mentally and emotionally, and it is restricting his access to credit. He wants the default to be removed from his credit file.

Our investigator did not uphold Mr U's complaint. He said the bank had fairly defaulted Mr U's loan account.

Mr U disagreed with this assessment and asked for an ombudsman's review. He felt the mitigating factors had not been considered: he had emailed the bank about his financial situation in March 2019, when he had to focus on his priority bills. And he had not received the notices from the bank.

## **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 not upholding Mr U's complaint. I'll explain why.

From the evidence Sainsbury's bank submitted I am satisfied that it followed the industry guidelines for defaulting accounts. These are set out by the Information Commissioner's Office (ICO) and say that once it becomes clear an account holder is going to have problems repaying their debt a default notice can be issued and this will typically be once at least three months of arrears and missed payments are evident. Mr U said he did not receive any of the correspondence, but it was all sent to the address the bank held for Mr U so I cannot fairly hold the bank liable for the non-receipt.

I can see Mr U spoke to the bank and asked for breathing space in May 2018 as he had lost his job. This was given and Mr U then let the bank know he had found 6 months' work and would be paid in August 2018. A new financial assessment was done but this showed Mr U would be unable to meet the loan repayments. Mr U got back in touch to say he was now in full time employment and could bring his account up to date. He did reinstate the direct debit in August 2018, but the arrears were not cleared. Mr U asked that the default be delayed but, in the circumstances, I think the bank made a fair and reasonable decision to proceed.

Mr U said that he emailed the bank in March 2019 and that has not been considered. The bank says it did not receive this email, but that aside I don't think it would have been a reason for it not to proceed with registering the default given Mr U's payment history and the previous discussions between the parties as referenced above. By that time, I think it was clear Mr U could not repay the debt and so Sainsbury's Bank needed to register a default and report that to the credit reference agencies. I am sorry Mr U's circumstances changed and that this led to financial difficulties but I have not found grounds to instruct the bank (or the current debt owner) to remove the default from his credit file.

### **My final decision**

I am not upholding Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 13 February 2023.

Rebecca Connelley  
**Ombudsman**