

The complaint

Mr J complains about how Sainsbury's Bank Plc ("Sainsbury's") dealt with his financial difficulties and that it reported his account as being in default.

What happened

In 2021, Mr J got in touch with a debt charity to help him with his financial difficulties. As a part of this, the debt charity got in touch with Sainsbury's in May 2021 to agree a reduced payment plan on Mr J's credit card. Mr J was under the impression that the plan had been agreed for 12 months, but Sainsbury's only agreed it for four months.

When the plan ended, this meant that interest and charges began to be applied again. Mr J was surprised by this as he thought the plan was running for 12 months. He contacted Sainsbury's in October 2021. Sainsbury's agreed to refund the interest and charges it had applied and encouraged Mr J to speak to the debt charity about a new plan.

Mr J did this, but Sainsbury's didn't hear back from the debt charity until December 2021. At this point Sainsbury's agreed to accept reduced payments and also refund interest and charges, but said that the account would now default because of the arrears on it and the lack of a contractual payment after so long. The account then defaulted in January 2022.

Mr J complained but Sainsbury's responded to say that it hadn't made any mistakes. So Mr J brought his complaint to this service where one of our investigators looked into it. When this happened, Sainsbury's noticed that some interest and charges had been applied after January 2022 and so refunded these and offered £50 for the impact this would have had on Mr J. Our investigator thought this was fair but said Sainsbury's had applied the default correctly and fairly.

After this, Mr J provided more information and our investigator reconsidered things. They then said that Sainsbury's hadn't made clear to Mr J or his debt charity that the plan was for four months. For this, they felt that Sainsbury's should compensate Mr J £100. But they still felt that Sainsbury's was entitled to have recorded Mr J's account as defaulted, where he hadn't made agreed payments for some time.

Mr J disagreed and our investigator discussed the situation with him and Sainsbury's – but still felt that Mr J would likely have defaulted. So the complaint was passed to me to decide.

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.

This must have been a confusing and frustrating situation for Mr J. He's tried to do his best to work with Sainsbury's and his debt charity to manage his account and pay what he can afford. But that hasn't always been easy and it's clear that Sainsbury's hasn't always gotten things right. Having considered everything here though – I don't think I can fairly or reasonably say that Sainsbury's should remove the default it's reporting.

It's not clear what information Sainsbury's provided to Mr J's debt charity in respect of the payment plan agreed in May 2021. Whatever information was passed onto Mr J clearly gave him the belief that the plan here was for 12 months. Sainsbury's has confirmed that it wouldn't agree a plan for that length of time though. So what I have to consider is what would the situation have been here if Sainsbury's acted correctly.

That would mean that Sainsbury's clearly explained to Mr J, or his debt charity, that the plan would have only been for four months. Mr J did benefit from four months of this plan, it's just that he thought the plan would run for longer. So at the point he contacted Sainsbury's in October 2021 and explained his position – I was pleased to see that Sainsbury's refunded the interest and charges and told him that he'd now need to speak to his debt charity to come to an arrangement to pay the account moving forward.

But, Sainsbury's didn't receive any further payment proposals in October or November. In December, Mr J's debt charity did contact Sainsbury's again with an offer of payment. But by this stage, Sainsbury's viewed Mr J's financial difficulties as being long term as Mr J was nearly seven months in arrears. So it took action to default the account.

I think it was entitled to do that in the circumstances. I say this because as our investigator has mentioned – that's in line with the relevant guidance over when a business should take action like this. It's also appropriate when someone's difficulties are long term, because it usually means that interest and charges are suspended moving forward, so someone can make affordable payments to what they owe – without the balance increasing.

Here, seven months after a payment plan was first agreed, Mr J demonstrated that he still couldn't afford to make the full contractual payments. So I think Sainsbury's acted fairly.

I know that Mr J feels strongly that the plan was agreed for 12 months. I've not seen anything to confirm that's the case. Mr J has offered to provide proof of this – but we haven't received anything to show this to date. It seems like what's more likely than not to have happened is that Sainsbury's agreed the plan for four months, but simply didn't communicate that clearly to Mr J's debt charity.

This being the case, I have to consider that impartially it wouldn't be fair for me to say that Sainsbury's should be held to a plan that it would never, or shouldn't have offered. Instead Mr J should be put back in the position he would be in were no mistake made, which would mean that he was clearly told that the plan here would be for four months. If that were the case then I think it's more likely than not that Mr J would have still struggled to have maintain the account in line with the original terms after the plan finished.

There are clearly times when Sainsbury's could have dealt with things better though. I do think it's more likely than not that its communication around the payment plan here was lacking. And it shouldn't have applied interest and charges at times that it knew that Mr J was trying to work with it and a debt charity to deal with his account. Its refunded these, which is the right thing to do. But it's also fair that it compensates Mr J for the impact its mistakes had. Taking everything into account, I think £100 is fair for distress and inconvenience caused here, so it's that which Sainsbury's should pay Mr J.

My final decision

I uphold this complaint. Sainsbury's Bank Plc should pay Mr J £100 for the distress and inconvenience caused here. I make no further award against it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 3 March 2023.

James Staples
Ombudsman