

The complaint

Mrs G complains that Sainsbury's Bank Plc unfairly closed her loan and recorded a default on her credit file.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mrs G had a loan with Sainsbury's Bank. At the end of March 2020 the payment was returned unpaid to Mrs G's bank. In April 2020 Mrs G contacted the bank to explain she was experiencing financial difficulties that were linked to the pandemic. Around the time Mrs G called, the Financial Conduct Authority issued its Payment Deferral Guidance (PDG). The PDG was introduced to provide short term support to customers who're impacted by the pandemic. The PDG allowed businesses to grant payment holidays of up to six months to customers experiencing financial difficulties as a result of the pandemic. The payment holidays would've meant no payments were due without impact to Mrs G's credit file.

Mrs G has told us she was advised by an agent that she could take a payment holiday. But no payment holiday was put in place and Mrs G has told us she called Sainsbury's Bank back again in May 2021 but wasn't offered any support. Mrs G was able to make the May 2021 payment around a week late.

In June 2021 Mrs G raised concerns about the payment holiday process. Sainsbury's Bank approved a three month payment holiday under the PDG. A letter confirming the arrangement and end date was sent to Mrs G. Payments were due to begin on 25 September 2021.

In August 2021 Mrs G complained to Sainsbury's Bank after she found missed payments on her credit file for March and April 2021. Sainsbury's Bank upheld Mrs G's complaint and applied temporary credits to cover the missed payments. Sainsbury's Bank also removed the arrears information from Mrs G's credit file. Sainsbury's Bank issued its final response to Mrs G on 17 September 2020 and the case handler confirmed a manual payment was due around a week later and that the direct debit had been reinstated to collect a payment in October 2020. Sainsbury's Bank also paid Mrs G £150 for the distress and inconvenience caused.

Mrs G didn't make the September 2020 payment. But Mrs G made payments by direct debit in the months that followed. The loan remained one month in arrears as a result of the September 2020 payment being missed. Sainsbury's Bank sent Mrs G arrears statements and says it sent a default notice. The loan was ultimately closed and sold to a third party in 2021. A default was recorded on Mrs G's credit file.

An investigator at this service looked at Mrs G's complaint and said they thought Sainsbury's Bank had dealt with it fairly. Mrs G asked to appeal, so her complaint has been passed to me to make a decision.

What I've provisionally 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've been reasonably brief in setting out the timeline above as all parties broadly agree about the course of events. I focused on what I think were the key events. I've reached a different view to the investigator and intend to uphold Mrs G's complaint. I'll explain why.

I can see Mrs G did experience some financial difficulties that led to missed payments in March and April 2020. But those missed payments were connected to the pandemic and the PDG was introduced to support customers in this situation. And looking at Mrs G's dealings with Sainsbury's Bank, I agree they were somewhat confusing. I note that when Mrs G spoke with Sainsbury's Bank in April and May 2020 the PDG had been introduced. I'd have expected Mrs G to have been offered support under that guidance. Or to see some evidence Sainsbury's Bank at least considered whether the support was right for Mrs G. I haven't seen anything of that nature. In addition, Mrs G has told us she was encouraged to make the May 2021 payment which was difficult. That payment was made around a week after the due date.

When Mrs G complained about the missed payments showing on her credit file, Sainsbury's Bank accepted it hadn't provided the right level of support. It placed a temporary credit to cover March and April 2020 on Mrs G's account. And Sainsbury's Bank went on to approve a three month payment break covering June, July and August 2020's payments. That meant Mrs G received five months of payment holidays under the PDG out of a maximum of six available.

I note Sainsbury's Bank's comments that its final response specifically told Mrs G a manual payment was due on 25 September 2020. But I think the case handler ought to have looked at Mrs G's circumstances and the support provided up to that point. It should've been apparent that Mrs G could've taken a final one month payment holiday under the PDG, taking her to the maximum of six months. But that option wasn't considered or offered. Had Sainsbury's Bank made that offer to Mrs G, she could've started her contractual monthly payments again by direct debit in October 2020, instead of falling into arrears.

Mrs G has told us she remained confused about the payments that were due and thought the direct debit payments made from October 2020 were correct. I appreciate that Sainsbury's Bank sent statements and letters confirming a payment would be due on 25 September 2020. But I also found the information provided to Mrs G to be confusing and unclear at times. Given the history of Mrs G's case, I accept her claim she thought payments were being made as agreed.

I also think it's reasonable to note that whilst Mrs G was behind with her payments, she was only ever one payment in arrears from September 2020 onwards. I accept the regulations do allow businesses to default when the arrears have gone on for some time. But I'm surprised that no other attempts to call Mrs G were made in place of moving to terminate the account.

Overall, I'm not persuaded Sainsbury's Bank has treated Mrs G unfairly. So I intend to uphold Mrs G's complaint.

The issues raised have been ongoing for some time now and impacted Mrs G's credit file. I can also see Mrs G has been caused a reasonable level of distress and inconvenience. Sainsbury's Bank paid Mrs G £150 when it responded to her complaint. But I intend to increase the award by a further £300. In my view, that more fairly reflects the impact of the issues raised on Mrs G.

I need to decide how to fairly resolve Mrs G's complaint. In my view, the fairest approach would be for Sainsbury's Bank to take steps to retrieve the loan from its new owner and reinstate it, in line with the loan agreement. Sainsbury's Bank will need to contact Mrs G to discuss the payments that need to be made up due to the payment holidays. Sainsbury's Bank will also need to amend Mrs G's credit file to remove the adverse information recorded from April 2020 onwards.

I invited both parties to respond with new information they wanted me to consider before I made my final decision. Mrs G confirmed she was willing to accept the provisional decision.

In summary, Sainsbury's Bank responded and said it remained of the view it had communicated clearly with Mrs G and that there was no requirement on it to look back at the support provided or give further support under the PDG.

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've read and considered everything Sainsbury's Bank has said in response. I note the points made but none of the information provided is new. I haven't been persuaded to change the conclusions I reached. I still think Sainsbury's Bank should've offered a better level of support to Mrs G at a difficult time and that her loan was unfairly terminated.

As I haven't been persuaded to change my view of how to fairly resolve Mrs G's complaint I'm going to proceed in line with my final decision. I still think Mrs G's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mrs G's complaint and direct Sainsbury's Bank Plc to settle as follows:

- Retrieve the loan account from new owner
- Remove all arrears and adverse information from Mrs G's credit file from April 2020 onwards (including default)
- Reinstate loan account and apply the final month of the payment holiday allowance (as allowed under the PDG) to September 2020
- Arrange for direct debit payments to be collected
- Either extend term of loan or reach some other arrangement with Mrs G to ensure sums due during the payment holidays (including the £633 temporary credit) are incorporated and repaid
- Pay Mrs G a further £300 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 16 January 2023.

Marco Manente

Ombudsman