

The complaint

Miss J complains that Sainsbury's Bank Plc ('Sainsbury's') irresponsibly gave her a credit card account that she couldn't afford.

What happened

On 22 January 2020, Miss J applied for a credit card account with Sainsbury's. She was given an initial credit limit of £1000. The credit limit was never increased.

In 2022, Miss J complained to Sainsbury's to say that the account shouldn't have been opened for her because it wasn't affordable and that Sainsbury's ought to have made a better effort to understand her financial circumstances before giving her credit.

Our adjudicator didn't recommend the complaint be upheld. Miss J didn't agree. So, the complaint has been 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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Sainsbury's will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Miss J's complaint is that Sainsbury's made credit available that was unaffordable. Sainsbury's has explained that it relied in part on information that Miss J provided at the time of the application to assess affordability. Sainsbury's said they carried out a credit search in Miss J's name to assess her level of debt at that time and to understand how she had been managing that debt. With that information and using their own scoring metric, Sainsbury's decided not to agree the credit limit of £6,500 that Miss J had requested in her application. Sainsbury's referred the case to one of their underwriters to assess affordability. So, it seems that Sainsbury's were taking Miss J's affordability seriously at the time it made its lending decision. And the fact that Sainsbury's passed the decision to an underwriter also reflects that the decision was not a straightforward one.

The income that Miss J declared was not modest. And the Sainsbury's checks showed that Miss J already owed an amount in unsecured borrowings that was a significant amount of revolving credit borrowing but it wasn't immodest when compared to the good salary that Miss J declared.

Sainsbury's told us that the credit checks they performed showed that Miss J's credit file was very clean at the time of the loan application. I have noted the credit file that Miss J provided. It supports the information that Sainsbury's said they gathered at the time. The credit file shows that Miss J had no immediate history of defaults, CCJ's or arrears on her credit. So, it seemed from the credit checks that at the point that the lending decision was made, Miss J was affording her existing credit.

So, I have seen insufficient evidence that the other information that Sainsbury's acquired or had presented to it at the time of the lending decision, would have led them to think that they were remiss in not checking Miss J's expenditure more closely, especially in view of the modest credit limit they eventually offered Miss J.

I say that because Sainsbury's declined Miss J's request for a credit limit of £6,500 and offered, based on the information it had presented to it and that it secured for itself, that it would lend a credit limit of £1,000. At the point that Miss J applied for the credit card there was nothing from the credit reference agency that made that level of credit automatically unreasonable or that would have put Sainsbury's off supplying the credit. And having considered all the submissions made in this case, I think that was reasonable.

In this case, I have also noted that the first use of the card was for a series of balance transfers. Within three months of getting the credit, Miss J had completed balance transfers that were the equivalent of her credit limit. The credit card had offered a promotional offer of 0% interest on balance transfers until 12 August 2021.

So, I don't see the new credit card as evidence solely of new credit being provided by Sainsbury's, adding to an already significant amount of personal borrowing. Instead, it looks more likely that Miss J was taking steps, that could be termed sensible, to manage her existing debt by taking out this card and using it to secure more favourable terms to existing credit. I say that because Miss J would have been saving money on interest she would have been paying elsewhere. So, it doesn't seem automatically unreasonable for Sainsbury's to have facilitated that.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that the credit Sainsbury's provided Miss J was unreasonable. Further, I'm not persuaded that the way Miss J was managing her account or what Sainsbury's could see of her management of other credit ought to have prompted it to have acted differently than it did.

I know that Miss J will be disappointed with my decision. But I want Miss J to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 28 March 2023.

Douglas Sayers
Ombudsman