

## **The complaint**

Miss S complains that Sainsbury's Bank Plc ("Sainsbury's") should not have accepted her application for a credit card or increased the limit on that card as the lending was irresponsible.

## **What happened**

Miss S applied for a credit card with Sainsbury's in February 2021 which was accepted. Sainsbury's gave Miss S a credit limit of £2,500. They then wrote to Miss S in July 2022 saying that they intended to increase the credit limit to £3,300. This was subsequently granted the following month.

Miss S complained to Sainsbury's in late 2022. She said Sainsbury's hadn't carried out the necessary affordability checks when she applied for the card, and that they didn't take into account her ability to repay the credit. Miss S also said that Sainsbury's didn't take reasonable steps to check that she could afford the increase to the limit.

Sainsbury's didn't uphold Miss S's complaint. They said, in summary, that they carried out a credit check when Miss S applied for the card to check how she had historically repaid credit and to assess how much debt she had at the time. And the results of that check showed that Miss S met the relevant criteria for a successful application. Sainsbury's also said that the credit limit was correctly increased in line with their business practices, following a review of how Miss S had managed her account as well as an assessment of affordability.

Miss S wasn't happy with Sainsbury's response and so she referred her complaint to our service. In doing so, she explained that her mental health had taken a huge turn for the worse when she applied for the card because of COVID lockdowns and isolation. Miss S said she was living on her own with no family and was claiming Universal Credit. She also pointed out that, when Sainsbury's increased the credit limit, she was only making minimum payments towards the balance and was at the top of the limit. And that she had three other credit card accounts that were close to their respective credit limits.

Our investigator didn't uphold Miss S's complaint. He felt that Sainsbury's had carried out proportionate checks when they assessed Miss S's original application and that they'd made a fair lending decision from those checks. He also felt that, had Sainsbury's carried out proportionate checks for the limit increase, they likely would have found that Miss S was able to afford this increase.

Miss S didn't agree so 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 taken into account the rules and guidance for lenders in the Consumer Credit Sourcebook (known as CONC) within the regulator's handbook, when thinking about whether Sainsbury's acted fairly and reasonably.

Prior to granting Miss S with credit, Sainsbury's were required to ensure it would be affordable and sustainable. There isn't a set list of checks they needed to complete, instead Sainsbury's needed to ensure the checks they completed were proportionate for each lending decision. What is considered proportionate will therefore vary with each lending decision. In deciding what is proportionate, Sainsbury's needed to take into consideration things such as (but not limited to): the amount of credit, the cost of credit, the size of any sustainable repayments to ensure the credit could be repaid in a reasonable period of time (this is likely to be higher than the minimum contractual payment) and Miss S's specific circumstances.

When Miss S applied for the credit card, she declared she earned an annual income of £30,000 and that her housing costs were £400 each month. Sainsbury's completed a credit check which they saw showed that Miss S had very little other debt at the time, and that she had no defaults or County Court Judgements against her name. So, Sainsbury's felt there was nothing to indicate that Miss S was experiencing any financial difficulties.

Sainsbury's also said that they used statistical data to calculate the cost of Miss S's essential spending and from that calculated that she had around £700 of disposable income after taking into account her existing debt with other lenders.

I've seen a copy of Sainsbury's credit check and while the data shown on that isn't particularly clear, I note that Miss S hasn't disputed that she told Sainsbury's about her income when she applied. I've also looked at a copy of Miss S's credit file that she sent to us, which at the time showed that she had a credit card with another lender which had a limit of £500 with a balance of around half that. It also showed that Miss S hadn't missed any payments to that account with a similar picture being shown for her water bill and phone contract commitment.

So, the information and evidence Sainsbury's gathered suggested that Miss S was managing her existing credit commitments with no recent history of payment difficulties. They were also entitled to rely on the information Miss S gave on the application form about her circumstances, unless it knew or ought to have known it was untrue. However, I've not seen anything to suggest that Sainsbury's ought to have known this. This is because I think Sainsbury's completed proportionate affordability checks and I don't think those checks revealed any affordability concerns. I therefore think they made a fair lending decision.

In respect of the credit limit increase, I note that Sainsbury's said that Miss S managed her account with them well up to that point and that there were no defaults or other adverse information with other creditors when they carried out their credit check. Sainsbury's also pointed out that Miss S didn't tell them that she didn't want the limit increase.

Sainsbury's will know that they have the obligation to ensure that a customer can afford to take on increased credit sustainably. It's not for a customer to take on that obligation by saying whether they want the limit to be increased.

I also note that at the time of the increase, Miss S had taken on a number of other credit commitments. Her credit file shows that she had three more credit cards with balances close to their credit limit and a hire purchase agreement with monthly payments of £291. There seems to be no indication that Miss S had missed any payments towards these commitments though. And Miss S had made large repayments towards her balance on her Sainsbury's card with, at one point, this being fully repaid. But, bearing in mind the position

on Miss S's credit cards, and her additional commitment to the hire purchase agreement, I think that Sainsbury's should have carried out a more thorough income and expenditure check than they did to ensure that she could afford to take on the increased credit.

However, while I don't agree that Sainsbury's carried out proportionate checks at that point, it doesn't automatically follow that they made an unfair lending decision. I need to consider what proportionate checks would have shown them.

I think Sainsbury's should have verified Miss S's income and asked her questions about her overall monthly expenditure. I've looked at Miss S's bank statements for the three months leading up to the limit increase and can see that her monthly salary was just over £2,400. And Miss S's bank statements are likely to reflect what she would have declared in respect of her expenditure had Sainsbury's asked her about this. Having looked at Miss S's statements, I note that for June 2022 it seems that her expenditure to her existing credit commitments, monthly bills and other debts was around £1,300. I've taken this as the highest likely figure as the information shown on the statements for the two months prior shows a lower figure. As such, it appeared that Miss S had over £1,000 towards other monthly costs like food and other normal, non-essential expenditure. And, although Miss S was at the top end of her credit limits on her other cards, she had made significant payments towards her Sainsbury's card.

Taking all of this information into account, including Miss S's likely declared expenditure, I'm not persuaded that proportionate checks would have shown Sainsbury's that Miss S was unlikely to be able to afford the limit increase.

So, for the reasons I've set out above, I won't be upholding Miss S's complaint about Sainsbury's lending decisions.

I would like to say though that I was very sorry to see that Miss S has had such a difficult time recently. I haven't seen any evidence that Sainsbury's was aware of this when they considered Miss S's application and credit limit increase or that they should have been aware of this. But I remind Sainsbury's to respond accordingly to Miss S about her account with them if she requires any support or assistance.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 18 August 2023.

Daniel Picken  
**Ombudsman**