

The complaint

Miss R complains Sainsbury's Bank plc (Sainsbury's) acted irresponsibly when it approved a credit card account for her.

What happened

Miss R says she applied for a credit card account with Sainsbury's in 2017 and it shouldn't have provided her with such a high credit limit at that time, nor increased the credit limit later on. Miss R says Sainsbury's should have carried out more checks when the credit card account was originally provided and when a subsequent credit limit was approved, as she was only making the minimum monthly payments to the account. Miss R says she is struggling with the monthly payments and wants Sainsbury's to refund all interest and charges on her credit card account.

Sainsbury's says it carried out reasonable and proportionate checks when it approved the credit card account and subsequent limit increase to Miss R's credit card account. Sainsbury's says Miss R never missed any monthly payments and never declined the credit limit increase when it was offered to her. Sainsbury's says Miss R has never been in touch to suggest she was experiencing financial problems and when it carried out its initial checks there was no indication she couldn't afford the credit limit provided. Sainsbury's says Miss R, on her application stated she was single, with no dependants and would have had a relatively high net disposable income relative to the level of credit provided to her.

Miss R wasn't happy with Sainsbury's response and referred the matter to this service.

The investigator looked at all the available information and upheld Miss R's complaint. The investigator felt Sainsbury's should have conducted further checks, including sight of her bank statements, before providing the credit card account to Miss R, given the high level of credit in relation to her earnings. Overall, the investigator felt Sainsbury's didn't carry out proportionate checks to establish affordability.

The investigator felt Sainsbury's should rework the credit card account removing all interest and charges along with 8% simple interest on that sum. Additionally, the investigator felt Sainsbury's, if an outstanding balance then remained, should put in place a suitable repayment plan and once this borrowing has been repaid to remove any adverse information from Miss R's credit file.

Sainsbury's didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.

I can understand it must have been difficult for Miss R when she began to experience financial problems and that must have been a cause of worry for her. When looking at this complaint I will consider if Sainsbury's acted irresponsibly when it approved the credit card account for Miss R and subsequently approved a credit limit increase for her.

The first thing to say here is when looking at Miss R's complaint about irresponsible lending, it's important to establish if Sainsbury's carried out what is referred to as reasonable and proportionate checks before approving the credit card account and any subsequent credit limit increase. While there's no set rules as to what checks businesses like Sainsbury's must carry out when approving credit facilities, it's fair to say any credit checks must be proportionate to the level of credit provided, the term of the debt, cost of the debt and the sustainability of future payments.

It's also fair to say any lender should also consider any other indebtedness of the applicant and consider if the applicant's net disposable income was stable and sustainable.

Here, Miss R applied for a credit card account in February 2017 with a promotional 29-month interest free purchase offer. From the information provided to this service by Sainsbury's it shows the checks it undertook at that time showed Miss R declared her income at £14,500 per annum, had been in employment for ten years and her status was single, with no dependants no mortgage and relatively low external debt. It's also worth saying Sainsbury's carried out its own internal affordability modelling in line with industry practice. Miss R wasn't in a position to provide a copy of her own credit report which I understand, so here I have relied on the information provided by Sainsbury's who confirmed at the time of the application in 2017, her report was clear with no recorded issues with any credit reference bureaux.

So based on this Sainsbury's offered Miss R a credit limit of £4,500 as its modelling and her personal circumstances declared at the time, suggested a low debt to income ratio and a strong net disposable income to meet any servicing of this level of debt.

The investigator felt that given the limit provided to Miss R was relatively high to her income, Sainsbury's should have carried out further checks including sight of her bank statements to confirm her expenditure. While I understand the point the investigator makes here I'm not fully persuaded that should be the case here as Sainsbury's did carry out its usual checks and credit searches and internal underwriting, which seemed to show little other indebtedness and no indication of any financial pressure – if it had, then at that point it might be expected to perhaps take a deeper look into Miss R's finances, but that wasn't the case here on the face of things.

So, I'm left to consider whether or not Sainsbury's acted irresponsibly when it provided a credit card with a limit of £4,500 here and I can't say it did. It's worth mentioning that this was in all intents and purposes similar to offering a 0% interest loan for 29 months and given the information I have been presented with, even over that period of time, it wouldn't be unreasonable to say Miss R, before her income position changed due to her maternity leave, could have sustained that level of repayment. So, with that in mind I can't say, given the checks Sainsbury's carried out before issuing the credit card, it had to carry out even further checks such as bank statements before approving the limit it set. Afterall, there's no evidence to suggest Miss R was under external financial pressure or that the sight of bank statements would have necessarily changed its view here.

As far as the increase in the credit limit is concerned from £4,500 to £5,300 this was offered to Miss R in December 2019, some two and half years later with a history of no missed payments and importantly leading up to the increase, the credit card borrowing had reduced, and evidence suggests Miss R had on occasions made payments above the minimum

required. That said, Miss R never made use of the limit increase and continued to make her monthly payments on time. Sainsbury's following a general post Covid customer review then reduced Miss R's credit limit to £4,600 and shortly after back to £4,500, but this doesn't seem to be due to any account issues for Miss R specifically, more a general customer review based on the impact of the Covid pandemic generally.

While I have some sympathy with Miss R's financial situation here, it does seem to have been tied to the time her income changed following her maternity leave and the impact that had on her finances, which is understandable. That said I can't hold Sainsbury's responsible for that, given that wasn't ever made known to them and on balance I'm satisfied it carried out reasonable and proportionate checks before it offered the facilities to Miss R when it did, for the reasons I have already explained.

While Miss R will be disappointed with my decision, I won't be asking anymore of Sainsbury's here other than I propose it provides forbearance and support to Miss R and looks at her financial position in a sympathetic manner.

I gave both Miss R and Sainsbury's until 18 May 2023 to accept or reject my provisional decision, so the case has been passed back to me to make a final decision.

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.

As I have not received any further comments from either Miss R or Sainsbury's, my final decision remains the same.

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 R to accept or reject my decision before 23 June 2023.

Barry White
Ombudsman