

The complaint

In summary, Mr L complains that Sainsbury's Bank Plc provided him with incorrect information about how his loan repayments had to be made. He believes this has caused him a financial loss.

What happened

On 5 October 2022, Mr L took out a loan with Sainsbury's. He spoke to one of its loan advisors on 6 October 2022, when he tried to set up a four weekly standing order. He said he was told he couldn't do that and needed to pay by direct debit (DD). He says this meant he had to cancel the loan and take one out with another provider at a higher rate of interest.

Mr L complained to Sainsbury's about being advised he couldn't set up a four-week standing order. It responded on 15 October 2022. It explained that a direct debit was its preferred method of payment but wasn't mandatory. It explained the potential problems with a four-week payment, taking into account that the loan was built on a calendar month schedule.

Mr L's concerns were looked into by one of our investigators. They wrote to Mr L summarising his complaint. In response Mr L said he did read the loan terms and conditions that said other payment methods were accepted.

The investigator looked into Mr L's concerns and explained why they weren't upholding his complaint, as they didn't think Sainsbury's had breached the terms of the loan agreement.

Mr L disagreed with the investigator's assessment of his complaint. In summary, he said the investigator had misunderstood what he was complaining about. He said he had originally agreed to pay by standing order, and that he was subsequently told he couldn't do this. Also, he said he was later told he would be charged for using a standing order and it would be applied as an overpayment. This is what led him to cancel the loan.

Mr L went on to say he wasn't happy with the compensation of £50 offered by Sainsbury's. He wanted his money back and compensation for the stress he had suffered. Had he been told the correct information from the start, he said he would have cancelled the loan without charge. He also said he had to take another loan out with a higher interest rate.

The investigator wrote to Mr L again. They said although incorrect information was given to Mr L, this was corrected before he decided to cancel the loan.

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'm satisfied from the information I've been provided with, that Mr L was told that he could make his loan repayments by way of standing order. I say this because having listened to the calls provided by Sainsbury's, I'm satisfied that although the call handler explained that a

direct debit was its preferred option, he could make payments by way of a standing order as he wanted to. The call handler explained that he must make a minimum payment each month regardless of an overpayment. And it couldn't be less than his agreed monthly payment.

But Mr L's concerns stem from what he says he was subsequently told about making payments by way of a standing order. He's said he was then told he couldn't do so and that he would be charged for doing so.

When Sainsbury's responded to Mr L's complaint, it explained that his account couldn't be changed to a four-week billing cycle. He was told that the payments could be made by an agreed date. The letter went on to say that if he chose to go ahead with a four-week standing order, it could cause issues as it would be receiving payments on different dates each month. It explained that if a payment was received before the monthly payment was due it would be treated as an overpayment. This would mean he needed to contact Sainsbury's every time a payment was made to ensure it was reallocated manually to be used as his contracted payment.

I do understand Mr L's frustration that paying by standing order was potentially problematic for him. But I don't agree that he was given incorrect information by Sainsbury's that necessitated him cancelling his loan he had taken out with it. I think the information he received at the point of sale such as the key features document and loan agreement, explained how the loan operated and that payments needed to be made on the same date each month that they fell due.

The letter Sainsbury's sent Mr L in response to his complaint explained the potential administrative complications that might be caused as a result of paying by standing order might cause. And the correspondence Mr L had with Sainsbury's confirmed what he needed to do. So, having considered everything I've been provided with, I'm not persuaded that Mr L was misled or treated unfairly by Sainsbury's in relation to how payments needed to be made in respect of his loan. And as a result, I think the £50 it has offered is appropriate compensation. For the reasons I've explained, I'm also not persuaded that it is responsible for Mr L cancelling his loan when he did.

My final decision

Sainsbury's Bank Plc has already made an offer to pay £50 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that only if Sainsbury's Bank Plc hasn't already paid that compensation to Mr L; if he accepts my decision, it should pay him the £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 14 July 2023.

Simon Dibble
Ombudsman