

The complaint

Miss E complained that Sainsbury's Bank Plc ("Sainsbury's") irresponsibly granted her two personal loans (in July and October 2022) that she couldn't afford to repay.

What happened

Miss E took out the first loan in July 2022. The amount was £4,000, and the monthly payment was £98.51 over a 61-month term. This was repaid on 14 October 2022, having been paid in full. The second loan of £5,000 was opened around two weeks later, on 26 October 2022. The monthly payment was £114.90 and the term was again 61 months.

Miss E said Sainsbury's should not have given her these loans, as it should have seen from her income and expenditure that they were unaffordable. She told us that she is in financial difficulty and has had mental health problems which have affected her finances.

Miss E would like a refund of all charges and interest paid to date.

Miss E complained to Sainsbury's about all this. Sainsbury's said it had carried out the appropriate checks before granting the loans, and it told Miss E that it did not uphold her complaint. Miss E then brought her complaint to this service. Our investigator looked into it but didn't think it should be upheld. Miss E didn't agree, and asked for it to be reviewed by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I've taken this into account here.

I've decided not to uphold Miss E's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of the checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. So I've considered whether Sainsbury's completed reasonable and proportionate checks to satisfy itself that Miss E would be able to make the repayments on each loan account in a sustainable way.

Sainsbury's sent in copies of the information it used to assess Miss E's loan applications, along with copies of the loan agreements and its records of Miss E's complaint. Miss E has since provided copies of bank statements from the months in which the loans were granted. I've looked at each loan in turn.

First loan – July 2022

Sainsbury's sent in details of the checks it carried out before granting this loan. It said that Miss E stated that her annual income was £29,000 before tax, and it viewed this as in line with the occupation the Miss E had mentioned. It further said that it calculated that this would give Miss E a monthly income of just under £1,940 after tax.

Sainsbury's also said that Miss E had stated a monthly rental cost of £400, although as rental costs do not show on a credit report, it could not verify this from Miss E's credit records, so it took the figure as stated. It used data from the Office of National Statistics to calculate essential living costs of £611.00. Sainsbury's further said that Miss E's credit record showed a monthly commitment of £263 for an unsecured loan. After taking account of the monthly payment required on the new loan as well, the calculation showed that Miss E was left with a monthly disposable income of about £565. There were also no defaults, County Court Judgement's (CCJ's) or arrears found on Miss E's credit record.

Based on these figures, I think the checks that Sainsbury's carried out – that is, the credit record check and the calculation of living costs – were reasonable and proportionate. The information Sainsbury's had didn't suggest that Miss E was over-committed or that she didn't have sufficient disposable income to allow her to meet the loan repayments on a sustainable basis.

Miss E said she was working part-time until September 2022, and that her rent was actually £1,150 each month. She also mentioned gambling transactions, and related searches that she thought would've been on her credit record. So we asked Miss E to send in bank statements for the period leading up to the loan. She sent in her statement for July 2022, and I've looked at this to see if there was information that ought to have been available to Sainsbury's that would have warranted a more detailed look at Miss E's income and expenditure.

The bank statement shows a salary of £1,363.50 - lower than the figure Sainsbury's used. However, I can see that Miss E was also in receipt of state benefits, so her overall household income was actually higher than the amount Sainsbury's used in its calculation. The statement shows the loan payment of £263 that I mentioned above, but it also shows a further loan payment of £57.07. A number of payments on the statement are debit card transactions, and it's not possible to identify what they relate to (for example, I can't see a single payment of £1,150 that I can clearly identify as a rental payment, but it's possible that Miss E made more than one payment towards her rental costs across the month). There are a number of transactions that appear to relate to gambling. Nonetheless, the balance on Miss E's current account was substantially in credit throughout the month.

I've thought carefully about what's on the statement. The loan payment of £57.07 was marked as the 'first payment', so I don't think such recent borrowing would reasonably have shown up on the credit record check Sainsbury's carried out. I also don't think that Sainsbury's could reasonably have known about any gambling issues – I've no evidence to suggest that Miss E made Sainsbury's aware of any issues, and in any case, not all searches appear on a credit check. Also, from the transactions that are identifiable, the estimated living expenses calculated by Sainsbury's don't look out of line.

Taking all this into account, I've not seen anything on Miss E's bank statement to change my view that the checks Sainsbury's carried out before granting the loan were reasonable and proportionate, and there was nothing that it ought reasonably to have known that would have warranted more detailed enquiries, or suggested that Miss E would've been unable to make the loan repayments on a sustainable basis. I don't know why the rental figure provided on the loan application differed from what Miss E said she was paying, but I don't think it was unreasonable for Sainsbury's to rely on the figure provided to it.

Overall, I don't think Sainsbury's acted unfairly in granting the loan and therefore I don't uphold this element of Miss E's complaint.

Second loan – October 2022

Again, Sainsbury's sent in details of the checks it carried out before granting this loan. At this point Miss E stated her annual salary as £32,000, which Sainsbury's calculated to give a monthly income after tax of £2,108. It seems Miss E again stated her rent as £400 per month, and Sainsbury's estimated her essential living expenses as £616. Sainsbury's said that Miss E's other debts had increased, but the debt figure included the earlier loan from July 2022 which had been repaid in full in October 2022. The monthly payments due on the borrowing were shown on Miss E's credit report as £477.21 (but £98.51 of this was the payment relating to the earlier loan that Miss E had just repaid, leaving commitments of £378.70). This left Miss E with a monthly disposable income of around £700 – more than enough to cover the repayments on the new loan on a sustainable basis.

Sainsbury's further said that there were still no missed payments, CCJs or defaults on Miss E's credit file, so there was nothing to indicate financial hardship.

Based on these figures, I think the checks that Sainsbury's carried out on this second loan were reasonable and proportionate. As before, the information Sainsbury's had didn't suggest that Miss E was over-committed or that she didn't have sufficient disposable income to allow her to meet the loan repayments on a sustainable basis.

Again, we asked Miss E to send in bank statements and she provided her statement for October 2022. As before, I looked at the statement to see how this related to the figures Sainsbury's used.

The salary shown on Miss E's statement was £2,167.40 – slightly higher than that calculated by Sainsbury's – and, as previously, this was supplemented by some state benefits. I can see two loan payments, totalling £375.88, and this is in line with the amount Sainsbury's used. There is also a credit of £3,000 on 13 October 2022, marked 'new loan'. This was two weeks before Miss E took out the Sainsbury's loan, so I can't see that it would've appeared on Miss E's credit file or that Sainsbury's could reasonably have known about it when it granted its loan.

As before, a number of payments on the statement are debit card transactions and therefore not identifiable, and again I can't see a single payment of £1,150 that I can clearly identify as a rental payment. There are again a number of transactions that appear to relate to gambling. Nonetheless, the balance on Miss E's current account remained substantially in credit throughout the month.

As with the first loan, I've not seen anything on Miss E's bank statement to change my view that the checks Sainsbury's carried out before granting the loan were reasonable and proportionate, and there was nothing that it ought reasonably to have known that would have warranted more detailed enquiries, or suggested that Miss E would've been unable to make the loan repayments on a sustainable basis. Again, I've no evidence that Miss E made Sainsbury's aware of any gambling issues, so I don't think it could've known about them.

Miss E said that she made a number of lump sum payments between July and October 2002 to pay off the first loan, and this this ought to have prompted Sainsbury's to question her borrowing pattern before granting the second loan. I've thought about this, and I accept that this is not usual. However, as Sainsbury's other checks didn't indicate financial problems, I

think it was fair for it to rely on those checks. So again, I don't think Sainsbury's acted unfairly in granting the loan and therefore I don't uphold this element of Miss E's complaint.

In summary, I don't think Sainsbury's acted unfairly in granting either loan, so I don't uphold Miss E's complaint.

My final decision

For the reasons I've explained, I've decided not to uphold Miss E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 19 March 2024.

Jan Ferrari
Ombudsman