

The complaint

Mrs S complains that Sainsbury's Bank Plc was irresponsible in its lending to her and was rude and lacked compassion when she contacted it about her difficult circumstances.

What happened

Mrs S was provided with a Sainsbury's Bank credit card in May 2019. She says that when she applied for the credit card, she already had around £6,000 of credit card debt and was only earning around £500 to £700 a month. Mrs S says that she struggled during the pandemic as her husband was diagnosed with serious health conditions which meant he could no longer work. She tried to discuss the issues with Sainsbury's Bank, but says it was hard to make contact given her work hours and when she did make contact, Sainsbury's Bank lacked compassion for her situation.

Sainsbury's Bank says that as part of the application process a credit search was performed. It said this reported no late or missed payments, no defaults or county court judgements in Mrs S's name. It said that based on its check Mrs S met its lending criteria. It said the credit limit increases were only offered after affordability assessments were carried out assessing how the credit card account had been managed. It confirmed that all charges had been correctly applied in line with the account terms and conditions.

Our investigator initially upheld this complaint but following receipt of further information she issued a second view not upholding the complaint. She said that based on Mrs S's declared monthly income her credit commitments and mortgage took a significant portion of her income and because of this she thought Sainsbury's Bank should have got a more thorough understanding of Mrs S' financial circumstances before lending. But she said based on the information she had received she didn't have enough to be persuaded that Sainsbury's Bank had made an unfair lending decision. Regarding the credit limit increase in December 2019, our investigator again said that insufficient information had been provided to determine that Sainsbury's Bank had made an unfair lending decision.

Our investigator noted that Mrs S contacted Sainsbury's Bank about her situation and she thought Sainsbury's Bank had tried to support Mrs S.

Mrs S didn't agree with our investigator's view. She said she had provided evidence of her income during the period and that other financial institutions had provided assistance, but Sainsbury's Bank had been rude and showed no compassion. She said she had nothing left to pay Sainsbury's Bank and that this issue was causing her stress at an already difficult time.

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. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: 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.

Mrs S applied for a credit card account with Sainsbury's Bank in May 2019. I have looked at the information Mrs S provided as part of her application, and this recorded her annual income as £18,000 with other household income of £80,000. The monthly mortgage repayments were noted as £1,900. Sainsbury's Bank undertook a credit check and said that Mrs S had no adverse information recorded and total unsecured debt of £5,750.

Mrs S was required to provide accurate information as part of her application, but Sainsbury's Bank was also required to ensure its checks were proportionate. In this case Mrs S declared an annual income of £18,000 which would result in a net monthly income of around £1,300. Mrs S recorded additional household income and it can be the case that couples will combine income and expenses and it can, in certain circumstances, be reasonable to consider all household income and expenses. But in this case as I do not have details of the other financial and / or other commitments that needed to be paid from the household income, and as the credit card was applied for in Mrs S's sole name, I find it reasonable that the assessment should focus on her income.

While I do not find that the credit check results raised concerns that Mrs S might be struggling financially at the time of application, as the information gathered suggested that Mrs S would be using a substantial amount of her declared income to repay her existing debts and mortgage, I think it would have been proportionate for Sainsbury's Bank to carry out further checks to ensure it had a clear understanding of Mrs S's financial circumstances.

Mrs S has said that at the time of the application she was earning £500 to £700 a month. She has provided copies of payslips from June and August 2019 and her year end certificate for 2019/2020. This suggests a monthly income of around £700. However, I haven't been provided details of Mrs S's income in the months leading up to the application and she hasn't been able to provide copies of her bank statements. Therefore I cannot say for certain what would have been identified had further questions regarding Mrs S's income been asked at the time.

Mrs S has said that her husband paid for the mortgage, and she paid towards other costs and I find it reasonable that had further questions been asked she would have provided this information. Taking into account the amount Mrs S would have needed to pay towards her existing debt plus the additional amount payable in the new lending gave monthly credit commitments of around £435. As she wasn't paying for the mortgage and there was another household income I do not find that I have enough to say that had further questions been asked, these would have shown the lending to have been irresponsible.

Mrs S maintained her monthly repayments on her credit card and while I note her comments that she was only making the minimum repayments, having looked at how she was managing her account, I do not find that this raises any concerns. Based on this I do not find that I have enough to say that the increase in the credit limit to £3,800 in December 2019 should be considered unfair lending.

Mrs S has been experiencing a very difficult time and I do not underestimate the strain this issue, on top of everything else she is dealing with, is causing her. But I have to consider that the credit card account is in her name and that Sainsbury's Bank has put in place payment arrangements and other breaks to try to assist Mrs S. I understand Mrs S doesn't think that Sainsbury's Bank has done enough to help her but, in this case, I do not find I can say it hasn't tried to provide support. Going forward, we would expect Sainsbury's Bank to work with Mrs S and to treat her positively and sympathetically in regard to the outstanding balance on her account.

I know Mrs S will be disappointed by my decision and I am sorry to hear of the extremely difficult time she is experiencing but I do not find that I have enough evidence to uphold this complaint.

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 Mrs S to accept or reject my decision before 28 December 2023.

Jane Archer
Ombudsman