

The complaint

Mr R complains that Sainsbury's Bank Plc was irresponsible in its lending to him. He wants all interest, fees and charges on his loan refunded and any adverse information about the loan removed from his credit file.

Mr R is represented by a third party but for ease of reference I have referred to Mr R throughout this decision.

What happened

Mr R was provided with a £5,000 loan by Sainsbury's Bank in May 2022. The loan was repayable over 36 monthly instalments of around £173. He says that adequate checks weren't carried out before lending was provided to ensure that he was able to make the repayments in a sustainable manner without financial difficulty or experiencing significant adverse consequences.

Sainsbury's Bank issued a final response dated 17 January 2024. It said that as part of the application process a credit check was carried out and Mr R met the relevant criteria for his loan to be approved. It said the account had been administered correctly and all charges applied in line with the terms and conditions.

Our investigator didn't uphold this complaint. She thought the checks carried out before the lending was provided were proportionate and as they didn't suggest the lending was unaffordable, she didn't think that Sainsbury's Bank was wrong to provide the loan.

Mr R didn't accept our investigator's view. He said he had evidenced multiple account openings, excess limits, limit increases and a cash advance in the months leading up to the loan application and these should have been taken into account in any proportionate checks. He said that Sainsbury's Bank hadn't provided the credit check results just a screenshot which didn't mean the information noted above wasn't available to it. Mr R didn't accept that proportionate checks had been carried out.

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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, information was gathered about Mr R's employment and income and his residential status. Mr R said he was employed full time with an annual income of £26,000 and that he was a private tenant with one dependent and monthly rent of £525. The credit search identified that Mr R had total unsecured debt of £4,950 and no defaults, county court judgment or recent arrears. I do not find that the credit check results raised concerns that meant the lending shouldn't have been provided or that further checks were required. And considering the size of the loan and Mr R's existing credit commitments, and the cost of the monthly repayments compared to Mr R's monthly income, I think that the checks carried out before the loan was provided were proportionate.

However, just because I consider the checks were proportionate, this doesn't necessarily mean the lending was responsible. To assess this, I have considered what the information gained through the checks showed regarding the affordability of the loan and also whether it raised any other issues that meant the lending shouldn't have been provided.

Mr R declared an annual income of £26,000 which gave a monthly net income of around £1,768. While I do not think further verification of this was required and I do not think Sainsbury's Bank needed to request copies of Mr R's bank statements, I note that the bank statements Mr R has provided show he received an average monthly income above this amount in the three months leading up to the loan being provided.

Mr R's monthly credit commitments were recorded as being a revolving credit balance of £1,275 and total unsecured debt of £4,950. Mr R has provided additional information about his credit commitments at the time. This shows him as having a loan and three other credit accounts (one with a zero balance) with total outstanding debt of around £2,635. This is lower than the amount recorded by Sainsbury's Bank which appears to be due to Mr R having settled another loan shortly before his application. While I note Mr R's comments about having taken on debt shortly before the Sainsbury's Bank loan application, I do not find that I have enough to say this meant the lending shouldn't have been provided. And based on the information I have seen, I do not find that the amount of around £365 that Sainsbury's Bank included for Mr R's existing credit commitments was unreasonable.

Considering Mr R's costs for existing credit commitments, rent and other living costs, against his net monthly income, I do not find I can say the information received through the checks suggested the loan with monthly repayments of around £173 was unaffordable.

In conclusion, while I note Mr R's comments, I think the checks carried out by Sainsbury's Bank were reasonable and as these didn't suggest that the loan was unaffordable for Mr R, I do not find I can say that Sainsbury's Bank acted irresponsibly by providing the loan. Therefore, I do not uphold this complaint. I would however expect Sainsbury's Bank to treat Mr R positively and sympathetically regarding any outstanding balance on his loan given the financial issues he has raised.

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 Mr R to accept or reject my decision before 4 June 2024.

Jane Archer
Ombudsman