

The complaint

Mr C complains that Sainsbury's Bank Plc ("Sainsbury's") withdrew a loan offer due to a system error and that he, therefore, had to secure finance elsewhere at a higher rate.

What happened

Mr C applied for a loan through Sainsbury's so he could buy a car. The loan was approved but when the documents were sent to Mr C a system error prevented him from signing them and Sainsbury's subsequently withdrew the offer and wouldn't allow Mr C to apply again.

Mr C has explained that because he didn't want to lose the car he had to secure credit elsewhere and he could only do so at almost double the interest rate Sainsbury's had previously approved for him.

Sainsbury's apologised for their system error and offered Mr C £50 to compensate him for the distress and inconvenience caused by it.

When Mr C referred his complaint to this Service our investigator thought Sainsbury's hadn't paid enough compensation. It was her opinion that they should pay Mr C £350.

Sainsbury's agreed with that opinion, but Mr C didn't. He thought Sainsbury's should pay the difference between what he was due to pay under his revised agreement and what they had initially agreed to. He explained that he believed the credit searches Sainsbury's had completed were the reason more advantageous loan offers hadn't been available to him. He asked for a final decision 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.

I know it will disappoint Mr C, but I agree with the investigator's opinion. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

There's no dispute that Sainsbury's made a mistake here. It's clear that a system error prevented the loan, that had already been approved, from going through.

In those circumstances, I think Sainsbury's were right to compensate Mr C for the error they'd made but I don't think it would be fair to tell them to refund the difference between the contract Mr C entered into and the one they offered. I say that because I don't think I have sufficient evidence to suggest the searches made on Mr C's credit file by Sainsbury's led to

him only being able to secure credit at double the rate, and also because it was Mr C's decision whether to go ahead with the less advantageous finance agreement and I don't think it would be fair to hold Sainsbury's accountable for that decision.

I do, however, agree with our investigator that £50 is insufficient compensation for the distress and inconvenience Mr C experienced. It would have been frustrating to have thought he'd secured the finance when he hadn't, and to have to look for other providers. I'm sure that Mr C would also have been concerned he may lose the car he wanted. In those circumstances I think Sainsbury's should pay him £350 in total less anything they may have already paid.

My final decision

For the reasons I've given above, I uphold this complaint in part and tell Sainsbury's Bank Plc to pay Mr C £350 to compensate him for the distress and inconvenience they have caused him. They may deduct £50 if that has already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 July 2024.

Phillip McMahon
Ombudsman