

The complaint

Mr B complains that Sainsbury's Bank Plc lent irresponsibly when it approved a credit card application he made in March 2022.

What happened

In March 2022, Mr B applied for a credit card with Sainsbury's Bank. In his application, Mr B said he had an annual income of £45,000 with an additional income of £8,000 – totalling £53,000. Mr B also said he didn't have any rent or mortgage costs each month. Sainsbury's Bank carried out a credit search and found Mr B had unsecured debts totalling around £28,450 with monthly repayments of £742. In addition, Sainsbury's Bank didn't find any missed payments or adverse credit on Mr B's credit file.

Sainsbury's Bank applied its lending criteria and says Mr B had a disposable income of around £2,100 a month based on the information it obtained. The application was approved and a credit card with a limit of £2,200 was issued.

Mr B went on to use the credit card and Sainsbury's Bank says he successfully made repayments until September 2023 when he contacted it to say he had stopped working due to disability. Sainsbury's Bank gave some breathing space meaning no charges were applied to Mr B's account. In December 2023 Sainsbury's Bank received notice that Mr B had become party to a Debt Relief Order.

Earlier this year, representatives acting on Mr B's behalf complained that Sainsbury's Bank lent irresponsibly and it issued a final response. Sainsbury's Bank didn't uphold Mr B's complaint and said his application had been approved in line with its lending criteria.

An investigator at this service looked at Mr B's complaint. They thought Sainsbury's Bank had carried out reasonable and proportionate checks before deciding whether to proceed with Mr B's application. The investigator wasn't persuaded Sainsbury's Bank had lent irresponsibly and didn't uphold Mr B's complaint. Mr B's representatives asked to appeal and said the relevant regulations generally required Sainsbury's Bank to verify his income via independent evidence which it had failed to do. As Mr B's representatives asked to appeal, his complaint has been passed to me to make a decision.

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.

Before agreeing to lend, the rules say Sainsbury's Bank had to complete reasonable and proportionate checks to ensure Mr B could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;

- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Here, Sainsbury's Bank asked Mr B for key information about his circumstances. Mr B provided details of two incomes, one for £45,000 and another of £8,000. As a result, Mr B's application said he had a total income of £53,000 a year. In addition, Mr B said he had no costs for rent or mortgage within the application. I've seen the data Sainsbury's Bank used when considering Mr B's application and can see it applied an estimate of his living costs for everyday spending.

Sainsbury's Bank also carried out a credit search. No adverse credit was found and there was no evidence of missed payments at the time of application. I note some missed payments in 2020 and 2021 but they were limited in nature and I'm satisfied they were factored into Sainsbury's Bank's lending assessment. I can see that Sainsbury's Bank found details of Mr B's outstanding credit and ongoing monthly repayments – factoring them into the application it completed.

I understand Mr B's representatives feel Sainsbury's Bank should've done more to verify the level of income he gave in the application. I note the regulations they've quoted. Whilst I understand Mr B's representative's point, I haven't been persuaded that Sainsbury's Bank's decision to approve his application was unreasonable based on what it knew about him. Mr B's circumstances were taken into account and there wasn't anything in the information I've seen that would've caused Sainsbury's Bank to take the view that the information he provided about his income wasn't genuine. In my view, Sainsbury's Bank acted reasonably by relying on the information provided in the application and what it found on Mr B's credit file to decide whether to proceed. And I'm satisfied that the level and nature of the checks Sainsbury's Bank completed were reasonable and proportionate to the application Mr B made. I'm sorry to disappoint Mr B but I haven't been persuaded that Sainsbury's Bank lent irresponsibly.

I've considered whether Sainsbury's Bank treated Mr B unfairly when he was unable to maintain repayments. I think it's fair to note that when Mr B reported financial difficulties in September 2023 Sainsbury's Bank agreed to provide some breathing space and temporarily suspended charges to help. And when Sainsbury's Bank received notice Mr B had obtained a Debt Relief Order I'm satisfied it complied and took the necessary action by closing his account.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Sainsbury's Bank lent irresponsibly to Mr B or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 August 2024.

Marco Manente
Ombudsman