

The complaint

Miss L has complained that Sainsbury's Bank Plc ("Sainsbury's") irresponsibly gave her a personal loan. She said that she was provided with this loan when she was struggling with a severe gambling addiction.

What happened

Sainsbury's provided Miss L with a loan for £2,500 in December 2021. The term of the loan was two years and Miss L was required to make monthly payments of around £130.

Miss L complained to Sainsbury's in 2024. She said Sainsbury's hadn't carried out the necessary affordability checks and didn't fully consider her ability to repay the loan. Miss L said that, had they done so, they would have seen that she couldn't afford the repayments.

Sainsbury's didn't uphold Miss L's complaint, so she referred the matter to our service. One of our investigators looked into what happened but ultimately didn't think that Sainsbury's needed to do anything.

Miss L didn't agree and so her complaint has been passed to me for 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.

Sainsbury's needed to make sure that it didn't lend irresponsibly. In practice, what this means is Sainsbury's needed to carry out proportionate checks to be able to understand whether Miss L could afford to repay the loan before agreeing to provide it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And a lender would need to appropriately consider what information they obtained from their checks.

Miss L was required to pay around £130 each month for two years. So, Sainsbury's was required to understand whether she could repay this for that period.

Sainsbury's says that Miss L was asked to provide a declaration of her income and that she stated this was £20,500 gross. From that, Sainsbury's calculated that her net monthly income was £1,456. Sainsbury's also carried out a credit check which showed that Miss L had total unsecured debt of £7,850, to which she was paying around £300 a month and that no significant adverse information such as defaults or county court judgments had been recorded against her.

I appreciate that Sainsbury's did capture some information about Miss L's circumstances. It's not entirely clear to me though how the declaration of income was captured. If, as I suspect they might have done, Sainsbury's relied on her declaration of income, then that jars somewhat with the rules set out in the Financial Conduct Authority's Consumer Credit Sourcebook which states at section 5.2A.16 (G)(3) that it isn't '*generally sufficient to rely solely on a statement of current income made by the customer without independent evidence*'.

However, had Sainsbury's asked Miss L to provide independent verification of her income, they would have seen that this broadly matched what she had declared. Miss L's bank statement for the month leading up to the loan application shows that she received a salary of just over £1,600. So, even though it's unclear whether Sainsbury's verified Miss L's income, they would likely have still used the figure they did use had they done so, and that would have been a reasonable and proportionate check.

I note that Sainsbury's credit check gave them some idea of what Miss L's existing credit commitments were. And they estimated her other non-discretionary expenditure by using Office of National Statistics data. However, bearing in mind that Miss L had quite a high amount of existing unsecured credit, I think it would have been more proportionate for Sainsbury's to have asked Miss L some questions about her expenditure to ensure that the proposed lending was sustainable.

I don't though think that this would have led to Sainsbury's needing to verify Miss L's expenditure bearing in mind the lack of adverse information about her credit position from the credit check they did. I think just asking Miss L some questions about this would have sufficed. Had Sainsbury's done this, I'm not persuaded they would have determined that granting Miss L the loan was unreasonable or unfair. I say this noting that Miss L was living at home with no dependants and, looking at her bank statements, her non-discretionary living costs appeared to be quite low. As a result, I think Sainsbury's would have made the same lending decision had they carried out slightly more proportionate checks, and that wouldn't have been an unfair decision.

I'm aware that Miss L has said that she was struggling with a severe gambling addiction at the time. I'm really sorry to hear about this, and I sincerely hope that she has received the support she needs. If Miss L still needs support, she might wish to contact Gamcare on 0808 802 0133 or via their website.

However, and I realise that this will likely disappoint Miss L, I don't think that it would have been proportionate for Sainsbury's to have carried out the depth of review needed to discover the extent of her gambling. Realistically, they would only have found this out if they had analysed her bank statements. I've explained above though why I don't think that Sainsbury's needed to do that.

I of course fully appreciate how Miss L's gambling addiction would have impacted her. And that includes the fact she was given further access to credit by Sainsbury's. However, for the reasons I've given above, I don't think that Sainsbury's acted unfairly by giving her this loan.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 27 December 2024.

Daniel Picken
Ombudsman