

The complaint

Miss J complains Sainsbury's Bank Plc ("Sainsbury's") refunded overpayments to her credit card account in a way that left her in debt and gave her poor service when she questioned this.

What happened

Miss J had made several payments to her credit card account with Sainsburys. This meant by January 2024 the account had a credit balance. Miss J complained as, after Sainsbury's had contacted her and arranged repayments of her overpayments on the account on 22 January 2024, she'd been left with a debit balance. She contacted them on 11 June 2024 querying why she owed money on the account after the refund of overpayments. She was unhappy that the bank had refunded the full amount of her overpayments as that had left the account with a balance to pay. She wanted Sainsbury's to give her a breakdown of the calculations and asked for the balance to be refunded.

Sainsbury's initially didn't uphold the complaint. In their first Final Response Letter ("FRL") of 1 August 2024, it said in the January 2024 call she'd been advised that as her overpayments were higher than the remaining balance on the card, when they were refunded it would leave a balance on the account. Sainsbury's said this information was also shown on the paper statements sent each month by post. Sainsbury's said to comply with money laundering regulations they could only return the full amount of any payments as made to them and they must be returned to source, namely the same bank account. Sainsbury's said that obligation was why it returned to Miss J more than the credit balance on the account. Sainsbury's said although Miss J had told it she was making the overpayments to prevent interest from being applied, that wasn't how a credit card worked. And if she wanted to ensure she wasn't paying interest she could clear her balance every month. Sainsbury's agreed to refund the interest applied to the account since January 2024 as a gesture of goodwill. But, in respect of the balance remaining, it said, as there was no current promotional offer on her account, interest would be applied each month.

Miss J was unhappy with this response. Sainsbury's reviewed the complaint and sent a second FRL on 1 September 2024. Sainsbury's maintained their position on the account not running in credit. And the need for full repayments for the refund being paid to the source account. It noted what she'd told them about partial refunds making more sense in her case. But Sainsbury's said this wasn't something it could arrange and this had been explained to her in communications. Sainsbury's agreed the level of service Miss J had experienced fell short of what she should expect and to recognize this it offered to pay her £150 for the upset caused. Miss J didn't agree and brought the matter to us.

Our investigator didn't uphold the complaint. As she didn't think there was enough evidence to suggest Sainsbury's had acted unfairly when dealing with Miss J's complaint. In respect of the poor service Miss J received our investigator thought the £150 compensation offered by Sainsbury's was fair in the circumstances so she didn't require them to take any further action.

Miss J disagreed and asked to appeal the outcome. She disagreed with the investigator's

findings in all 17 of the listed complaint areas and listed further new concerns. The case has come to me for a final 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.

Having done so, I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. This means that it isn't within my remit here to declare that Sainsbury's have acted in a non-regulatory or unlawful way. Such declarations would be for a regulatory body or a Court of Law to potentially make.

Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the circumstances and factors of a complaint into consideration

I also see Miss J has concerns about the integrity of this investigation and decision making process. So, I want to assure her I've reviewed everything afresh before coming to my decision. And, as provided for in DISP 3.6.1, I've determined this complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case.

I'm aware that I've only summarised Miss J's complaint points below. And I'm not going to respond to every single point she's made, not least as some overlap or duplicate the issues. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what, I think, is a fair outcome.

I can understand Miss J is frustrated at the situation here. She openly said she was making over payments to ensure she didn't have to pay any interest. But the net effect of the refund process Sainsbury's had to follow meant she was left with a balance on the account. As much as I understand Miss J's frustrations with the situation, I've got to look at whether Sainsbury's did anything wrong. And, having reviewed all the evidence here, in respect of the substantive issue - the refunds of overpayments - I don't think they did. And where there were failings - in customer service and the explanation of the terms - Sainsbury's accept this and have in my view already responded reasonably. So, I'm not going to uphold the complaint. I'll explain my reasons for coming to this decision.

The bottom line here is that in making these overpayments Miss J caused this account to operate in a way it's not supposed to, namely in credit. That's triggered Sainsbury's having to refund her to correct this. The refunds caused the account to have a debit balance. But I find it difficult to say Sainsbury's have done anything wrong here in correcting the position it found the account in. Miss J caused this by the initial overpayment and although she's unhappy there's no failsafe to prevent overpayments, I wouldn't expect there to be on a product where the primary function is to provide lending.

This is a credit card account. It's not designed or envisaged to hold a credit balance. It gives the holder of the card an option to borrow funds to buy goods, services or as cash. I'm satisfied the general terms and conditions of this account provide that there shouldn't be overpayments and, if there are, they can be repaid to the same source. Clause 11.7 states *"you must not make payments that would leave a positive balance on your account. We may return any funds that are more than the balance owing on your account to the*

account from which the money has been sent.". So, I think Sainsbury's have acted in line with the terms when making the repayments on 22 January 2024.

I appreciate Miss J thinks the refunds here are confusing and overly complex. As is the required confirmation of the source account by production of a bank statement. She also sees no reason why Sainsbury's can't process partial refunds. But banks must comply with money laundering regulations. It's up to each business to have appropriate processes in place to ensure compliance and not generally something we would interfere in. So, it's a matter for Sainsbury's to decide what proof they need before the refund is paid. But like our investigator I don't consider a copy bank statement to be unreasonable.

Sainsbury's say to comply with anti-money laundering regulations it could only return each of the *full* payments back to the source from which they'd been paid. This was explained to Miss J in the call on 22 January 2024 along with a warning that there may be a balance on the account, so I think she was aware of it and had the opportunity to check this in the paper statements sent after January 2024.

I don't agree with Miss J's criticisms of a delay in notification, a discrepancy in the refund amounts and an unjust outstanding balance. Her paper statements were reactivated from January 2024 onwards. I've seen these statements which clearly show the refunds, the remaining balance and how that came about. I see she only contacted the bank in June 2024, but I don't think that was because of anything Sainsbury's did wrong.

Sainsbury's accept the wording of clause 11.7 was unclear as it didn't spell out that manual transfers taking the account into credit were also prohibited. And that this wasn't explained as clearly as it should have been by the agent in the security team. Even accepting this, I think the steps Sainsbury's have taken in respect of refunding and waiving interest and granting a further three months interest free, from September 2024, to repay the balance is a reasonable response here. As is the £150 compensation they've offered to pay Miss J in the second FRL for the poor explanation and upset that caused. Our compensation guidelines state an award between £100 and £300 might be fair where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. I think the award suggested of £150 is in that range. It's the sort of award I'd have made had it not been offered.

Miss J has already had the benefit of the balance showing on the account after the full refunds, so, I don't think, it's an unjust balance as she argues. And any money she'd overpaid towards it has been refunded back to the account it was paid from. So, I don't agree with her premise that the refunds have left her in debt. On the information before me there's been no loss to Miss J. Given that, I can't see any reasonable basis justifying the balance of this account being repaid as she asks in her complaint. I also think the waiving of interest - along with an extended interest free period - has granted Miss J more generous terms than the original contractual agreement to pay. So, I won't be asking Sainsbury's to do anything further.

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 Miss J to accept or reject my decision before 28 February 2025.

Annabel O'Sullivan
Ombudsman