

The complaint

Mr A complains about contact he's received from Sainsbury's Bank Plc in relation to a loan that was closed part of a Debt Relief Order (DRO).

What happened

Mr A's explained that during the pandemic he experienced financial difficulties and ultimately entered into a DRO for his unsecured debts. The DRO included an unsecured loan Mr A had with Sainsbury's Bank. Mr A's DRO was satisfied in September 2022 at which point he was discharged from the debts it included and no further repayments were due.

Mr A's explained that despite being discharged from the requirement to repay his Sainsbury's Bank loan in September 2022 he received contact in September 2023 that said there was an outstanding balance. Mr A complained to Sainsbury's Bank and it issued a final response on 1 December 2023. Sainsbury's Bank said a systems error had led to the loan being reactivated, despite the balance being written off when the DRO completed. Sainsbury's Bank also said it found the loan wasn't being recorded correctly on Mr A's credit file and that it had taken steps to amend the information reported. Sainsbury's Bank paid Mr A £200 in recognition of the distress and inconvenience caused to resolve his complaint.

In August 2024 Sainsbury's Bank sent Mr A an email, thanking him for an overpayment that had been used to reduce the outstanding loan balance. Mr A went on to contact Sainsbury's Bank and raised another complaint about being contacted about a loan that was included in his DRO. Sainsbury's Bank first offered Mr A £50 to apologise when it spoke with him on the phone about the issue. Sainsbury's Bank then issued a final response on 18 September 2024 upholding Mr A's complaint. Sainsbury's Bank said its email had been sent to Mr A in error when it was carrying out some remediation work in relation to the loan that meant the block preventing contact with him had been temporarily removed. As a result, an email was sent to Mr A in error. Sainsbury's Bank also said it had found Mr A's loan still wasn't being reported correctly on his credit file and updated the information recorded. Sainsbury's Bank offered Mr A £150 in recognition of the distress and inconvenience caused and apologised.

Mr A referred his complaint to this service and it was passed to an investigator. Mr A sent us a copy of a Subsequent Notice of Sums in Arrears (SNOSIA) that Sainsbury's Bank had sent him around a week after it issued its final response. The SNOSIA said there was a shortfall of £12,383.87 to the loan balance. Our investigator upheld Mr A's complaint and asked Sainsbury's Bank to pay him an additional £100 in recognition of the distress and inconvenience caused by contacting him about the closed loan. Sainsbury's Bank agreed and explained it had taken steps to stop future contact with Mr A in relation to the closed loan.

Mr A didn't accept and pointed out Sainsbury's Bank had made similar mistakes on two occasions and said he thinks the settlement should be greater for the second instance. As Mr A 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.

I've been reasonably brief in setting out the timeline above as all parties broadly agree concerning the circumstances of Mr A's complaint. I agree with Mr A that once his DRO was completed there's no reasonable grounds for Sainsbury's Bank to contact him about an outstanding balance as he's been discharged from his responsibility to make further repayments. So I can understand why Mr A was upset and frustrated to receive contact from Sainsbury's Bank that said there was an outstanding balance or made it appear as if the loan was still open.

I understand Mr A previously raised a similar issue with Sainsbury's Bank in September 2023 and it issued a final response on 1 December 2023, paying him £200 in recognition of the distress and inconvenience caused. So I can understand why Mr A was particularly concerned to see an email from Sainsbury's Bank in August 2024, thanking him for an overpayment he hadn't made to a loan that was closed in 2022. Sainsbury's Bank's final response explains in detail why the email was sent and it ultimately comes down to a systems error when it was carrying out some remediation work on his closed loan account.

With the above being said, I think it's reasonable to note that the email Sainsbury's Bank sent Mr A in August 2024 wasn't a collections request or threat of taking further action against him to recover the outstanding balance. And I'm satisfied Sainsbury's Bank quickly confirmed the email was sent in error after Mr A raised concerns with it.

Mr A forwarded a copy of Sainsbury's Bank's SNOSIA dated 26 September 2024 that said, amongst other things, there was a shortfall on the loan. Sainsbury's Bank told our investigator that it had to send the SNOSIA for regulatory reasons. But I'm not persuaded that's the case as Mr A has been discharged from his obligations under the original credit agreement following the successful completion of his DRO in 2022. Sainsbury's Bank has confirmed that no funds remain due from Mr A and I can see that receiving the SNOSIA added to Mr A's frustration.

Our investigator recommended an increase of £100, taking the total settlement to £250 in recognition of the distress and inconvenience caused to Mr A. Whilst I understand Mr A feels the compensation figures should increase with every mistake made by Sainsbury's Bank, we can't fine or punish a business and don't award compensation on that basis. Our awards reflect the individual circumstances of the complaint we're considering.

In my view, a figure of £250 fairly reflects the impact of the contact made with Mr A by Sainsbury's Bank in August and September 2024. I haven't found grounds to increase the award beyond that level. I'm sorry to disappoint Mr A but as I'm satisfied a settlement of £250 is fair and reasonable in all the circumstances I'm going to proceed on that basis and uphold his complaint.

My final decision

My decision is that I uphold Mr A's complaint and direct Sainsbury's Bank Plc to settle by paying him a total of £250 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 February 2025.

Marco Manente
Ombudsman