

The complaint

Mr H complains that Sainsbury's Bank plc ('Sainsbury's') didn't explain his personal loan interest rate to him clearly and provided inadequate support and forbearance when he experienced financial difficulty.

Mr H is assisted by his solicitors to bring this complaint. For ease I've referred to actions taken by Mr H's solicitors on his behalf as being taken by Mr H.

What happened

Mr H took out a personal loan with Sainsbury's in March 2022.

Between July 2022 and September 2022 Mr H contacted Sainsbury's regarding financial difficulties and said he'd engaged a debt management company ('DMC') to help him. Sainsbury's applied 60 days of breathing space to his account, but no arrangement was reached with Mr H or his DMC.

In January 2023 Sainsbury's sent Mr H a default notice and, following non-payment, defaulted his account in February 2023. The debt was then passed to a debt collection agency.

Mr H complained to Sainsbury's about irresponsible lending in December 2022. Mr H wasn't happy with Sainsbury's' response in March 2023 and the Financial Ombudsman Service issued a decision in relation to that complaint in February 2024.

Mr H brought his present complaint to Sainsbury's in March 2024. Sainsbury's didn't uphold Mr H's complaint, saying they'd provided information about the loan's interest rate in their documentation, and had followed their process when assisting Mr H with his financial difficulties.

Mr H referred his complaint to the Financial Ombudsman Service and submitted that Sainsbury's hadn't acted in line with various provisions in the FCA's Handbook of rules and guidance ('FCA Handbook'). Our investigator concluded that Sainsbury's had treated Mr H fairly in line with the regulator's expectations, so didn't uphold his complaint.

Mr H didn't agree so the matter came to me to decide.

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 taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

I think it's important to confirm that I won't consider any aspects of Mr H's present complaint that were raised in his first complaint to Sainsbury's. This is because the Financial Ombudsman Service considered Mr H's first complaint in February 2024 and I have no remit to revisit this.

The parties should also note I have not responded to every individual point raised – I am not required to do this – but I reassure both parties I have reviewed all the available evidence and submissions and focused on what I consider to be relevant to resolving this matter.

I know this will be a disappointment to Mr H, but I have decided not to uphold Mr H's complaint for broadly the same reasons as our investigator. I'll explain why.

Mr H submitted Sainsbury's hadn't complied with their obligations and he referred to specific parts of the FCA's Consumer Credit sourcebook ('CONC') - the specialist sourcebook for credit regulated activities. I think it may be helpful if I consider these in turn.

The first provision I've been referred to is CONC 1.1.4. This is a guidance provision where firms are reminded to follow the Principles for Business set out in the FCA Handbook's High Level Standards section at PRIN 2.1 ('Principles').

Mr H identified Principles 1 to 9 as being relevant here and I've kept these in mind when considering each aspect of Mr H's complaint. The thrust behind Mr H's reference to these Principles is that Sainsbury's need to act in a way which is fair – for example, by acting with integrity, and communicating in a way which is clear, fair and not misleading.

It's overall fairness I'm looking for when considering Mr H's complaint. That's because as an ombudsman I determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case.

The first issue for me to consider is Mr H's complaint about the loan's interest rate.

Having reviewed the loan's pre-contract literature I am satisfied that Sainsbury's provided Mr H with advance notice of the terms of lending – including that the interest rate on the loan would be 9.1%.

Sainsbury's' pre-loan documents provided Mr H with specific figures for the "interest repayable" and the "total repayable". Sainsbury's also provided information about how additional interest would be charged on any arrears. And they said *"if anything isn't what you expected, please get in touch. You'll find our contact details in section 26 of the Loan Agreement."*

I think the language used and information provided by Sainsbury's here was clear, but I recognise Mr H says it was difficult for him to understand. However, I can't see any evidence that Mr H contacted Sainsbury's to question anything or ask them what their wording meant. I'm mindful that before Mr H could sign the agreement, he had to confirm he'd read and accepted the pre-contract information.

In these circumstances I'm satisfied that Sainsbury's provided Mr H with clear information at the right time and Mr H had an opportunity to make an informed decision about whether to proceed with the loan. I don't think Sainsbury's treated Mr H unfairly in these circumstances.

I'll now turn to what happened when Mr H experienced financial difficulties.

Mr H says Sainsbury's didn't follow CONC 7.3.4R which says a firm must treat customers with forbearance and due consideration when in default or in arrears difficulties. Mr H also

says Sainsbury's didn't follow CONC 7.3.14 which says a firm must not take disproportionate action against a customer in arrears or default.

I've considered this carefully. However, I think Sainsbury's acted in line with these CONC obligations when engaging with Mr H about his personal loan account.

I say this because the account notes held by Sainsbury's evidence that when Mr H telephoned them about his financial difficulties, Sainsbury's invited him to complete an income and expenditure form with a view to setting up a payment arrangement. The notes record that Mr H declined an arrangement, although he later engaged a DMC to act on his behalf.

Sainsbury's then applied a 30-day period of breathing space to Mr H's account which meant he was not charged fees or interest on instalments that fell due. A further month of breathing space was applied in October 2022, however neither Mr H nor the DMC set up a payment arrangement despite Sainsbury's writing to them both and also speaking with Mr H in December 2022.

Sainsbury's also had legal obligations under the provisions of the Consumer Credit Act 1974 which required them to send a notice of sums in arrears (sent in September 2022) and a default notice (sent in January 2023).

Before sending the default notice, Sainsbury's wrote to Mr H indicating a default notice would soon follow and set out how Mr H could avoid this, which I think was fair.

Despite correspondence between Sainsburys, the DMC and Mr H's solicitors, there was no agreement for the payment of Mr H's arrears or his ongoing instalments and the sums requested in Sainsbury's' default notice went unpaid.

Sainsbury's subsequently defaulted Mr H's account on 23 February 2023. This meant that Mr H would no longer incur fees and charges. I think this was proportionate in these circumstances.

I've also considered the Information Commissioner's Office's ('ICO's') guiding principles for businesses reporting arrears, arrangements and defaults. This sets out that by the time an account is at least three months in arrears, and normally by the time an account is six months in arrears, it's generally expected that a default will be registered with the Credit Reference Agencies.

Taking into account the industry's expectations here, I don't think that it was unfair or unreasonable for Sainsbury's to default Mr H's account when they did, or to report the default to the Credit Reference Agencies.

I am sorry to hear of Mr H's circumstances and the difficulties he's had with his mental health. I've seen evidence from his GP detailing how this is affecting Mr H. I acknowledge Mr H's strength of feeling that he's been treated unfairly here and that Sainsbury's should have taken his vulnerabilities into account when engaging with him.

I recognise the FCA sets out guidance for firms about how they engage with vulnerable consumers, but I am also mindful that it would be unreasonable to expect a firm to change or adapt how they are interacting with a customer if they are not aware of any need to do so.

I've not seen any evidence Sainsbury's were aware of Mr H's mental health issues before his solicitors informed them in November 2023, which was after they'd defaulted Mr H's

account. So I don't think Sainsbury's were under an obligation to consider altering their approach when engaging with Mr H before November 2023.

If Mr H needs additional support with his mental health beyond that provided by his healthcare professionals, he may find it helpful to know that he can contact an organisation called MIND (0300 123 3393, www.mind.org.uk). Mr H can also contact National Debtline (0808 808 4000, www.nationaldebtline.org) who can provide free and impartial advice and support if Mr H needs help with money matters.

I know this will come as a disappointment to Mr H, but for the reasons I've set out I'm not upholding his complaint as I don't think Sainsbury's have treated him unfairly in these circumstances.

My final decision

For the reasons I've outlined, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 April 2025.

Clare Burgess-Cade
Ombudsman