

## The complaint

Mr G complains that Sainsbury's Bank Plc lent to him when he could not afford it and did not explain how loans worked or the interest rates involved.

## What happened

I am aware of Mr G's health issues and I have written this decision in a style to aide his understanding.

Mr G took a loan from Sainsbury's Bank on 23 February 2022, which was rolled into a new loan in May 2022. Here is a table giving a few details.

Loan	Date approved	Amount (rounded)	Monthly repayments (rounded)	Status
1	22 February 2022	£10,000 plus interest of £2,864 APR 10.9%	£214 reduced to £150 after a substantial payment on 25 February 2022 Original term 61 months	Paid off by funds from Loan 2
2	11 May 2022	£11,692 plus interest of £6,221 £6,941 used to repay loan 2 & £4,751 paid to Mr G. APR 13.9%	£213  Term of 84 months	Ongoing. No arrears

After Mr G had complained, Sainsbury's Bank said that it had carried out the right checks before lending to Mr G and so it did not think it needed to put things right for him.

Mr G referred his complaint to the Financial Ombudsman Service.

One of our investigators looked into it. He thought that Sainsbury's Bank did not need to put things right for Mr G.

Mr G was not happy. He asked for all the Sainsbury's Bank's documents to be sent to him.

Mr G has not written back to us since receiving those documents.

The complaint was passed 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.

We've set out our approach to complaints about unaffordable/irresponsible lending on our website.

I've used this approach to help me decide Mr G's complaint.

Having carefully considered everything I've decided not to uphold the complaint. I'll explain why in more detail.

Sainsbury's Bank needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to be able to understand whether Mr G could afford to repay any credit it provided.

Whether a lender's checks were proportionate, we think it's reasonable for checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early part of a relationship.

But we might think more needed to be done if, for example, a borrower's income was low or the amount lent was high.

What Mr G needs to appreciate is that Sainsbury's Bank need not do a full financial review each time, especially where the information it had got from the usual places – such as credit reference agencies – did not alert it to a money issue. The regulations surrounding responsible lending do not require that.

## **Loan 1**

When Mr G applied to Sainsbury's Bank for loan 1, it has explained that Mr G told it he was employed full time, earned £32,000 before tax each year, and was living with a partner and had no dependants. He was a new customer to Sainsbury's Bank.

Mr G told it that he wanted the £10,000 for home improvements. He applied for a 60 month term.

Sainsbury's Bank calculated that Mr G's monthly income after tax was £2,108.

For both applications Sainsbury's Bank knew Mr G had a joint mortgage, the total cost of which was £522. Mr G had said his mortgage cost was £250 each month which Sainsbury's Bank increased (having done the credit search) to £353 for the loan 1 assessment. But the £250 figure was not wrong.

Sainsbury's Bank used Office of National Statistics (ONS) data for general monthly expenditure (not mortgage costs) and used the figure of just under £427.

Sainsbury's Bank has explained that this ONS data represents electricity/gas, internet, travel etc and was based on customer income and household composition data. That seems fair and reasonable.

Sainsbury's Bank said that the credit search it carried out against Mr G's name showed he had no insolvencies, no arrears, no defaulted accounts, and no judgment debts.

The search showed that Mr G had £1,325 of revolving debt (meaning credit cards and accounts such as that), and his total unsecured debt was just £25 more than that figure at £1,350.

Sainsbury's Bank used a figure from the information it had obtained that Mr G's debt payments were around £48 each month.

It added in a 'buffer' which I understand to mean a margin of £128.

So, Sainsbury's Bank calculated – using the information from its research - the income left over at the end of a month for Mr G was £1,152. This was £427 + £353 + £48 + £128 = £956. Subtracted from the £2,108 monthly income and this came to £1,152 (without the loan 1 payment).

The loan 1 repayment figure was around £217 each month. So, Sainsbury's Bank thought the loan looked affordable. Sainsbury's Bank had worked out Mr G would have had around £936 left over for other costs and expenses after paying his bills, the credit owed and the new Sainsbury's Bank loan payment.

Mr G says his debt was higher than this. He has questioned why we have not received the full credit search data from Sainsbury's Bank. We do not have the original data but we have its summary of it and I have no reason to question the veracity of that summary.

Credit searches carried out by businesses and the results can differ to that presented to an individual when a personal credit report is obtained. I can't explain much further than that. And I cannot obtain information Sainsbury's Bank has not and cannot send to us.

Mr G has not sent to us a copy of his credit report to counter the information Sainsbury's Bank has sent to us.

A feature I have noticed in this loan 1 application process is that on 22 February 2022 Sainsbury's Bank received a copy of Mr G's January 2022 bank statement. It says this was to check an identity issue so the statement showed his name and address for ID. It also said it may have been used for incoming and outgoing transactions.

### **What do I say about that?**

I think that as Sainsbury's Bank had asked and received a copy bank statement for January 2022 I think it did use it as part of its assessment before approving loan 1. Even if it did not obtain the statement for that purpose, having got it I think it's reasonable of me to say, therefore it knew of the contents of that statement. And I have approached it in this way.

Mr G has said that he had a lot of outstanding debt when he applied for the loans – for example, around £20,000 on a credit card. But Mr G has not sent to us a copy of a credit card bill to show this.

Using a bank account statement is a useful way for Sainsbury's Bank, and for me, to see what payments (including credit commitment payments) Mr G had been making at the time. So, although Mr G has not sent to us a copy of his credit report this statement will shine a light on the outgoings he had.

So, I have gone through the bank statement to see what it is that Sainsbury's Bank saw – or ought to have seen - at the time.

My aim is for Mr G to read this and be reassured I have looked at his January 2022 bank statement in detail. This has shown me what I needed to know. And I think Sainsbury's Bank would have had this information as well.

### ***The January 2022 bank statement details***

In January 2022, the employer Mr G has told us was his paid into that account £2,352 in five different payments. I am reasonably confident that this was Mr G's salary. And that was a little more than the salary figure (after tax) Sainsbury's Bank used.

Another amount of around £1,600 from a different company could have been Mr G's partner's salary. The significance of this is that it looks to have been likely that they shared the bills and outgoings.

A credit for what appears to be a benefits payment credits the account as well. This was for £335.

I understand Mr G has told us that he thinks it would be difficult to work out which transactions relates to which when I look at the joint bank account statements. But I've done a calculation. Looking at what we would say were priority bills – so that's household bills and payments to other loans or cards, travel, and other such things - then (rounding the figures) I identified these:

Six insurances	£173
Two mobiles	£120
Electricity	£35
Mortgage	£522
Possibly two loans	£45
TV provider	£29
DVLA	£14
Bank account fee	£2
Four credit cards	£389 (none to the credit card company Mr G has told us about)

As these were joint bank account statements it's unclear who has which credit cards. But they were being paid for out of this account and so the cost was shared which is what Sainsbury's Bank would have seen. And even if I have identified some of these types of payments incorrectly, the point is that had Sainsbury's Bank looked it would have seen the same figures and outgoings.

The total of these costs in the list above was £1,329 in that month. Without the mortgage this would have been £807.

Half of this would have been around £403 each month. This is about the same figure Sainsbury's Bank used (ONS) which was £427 for household expenditure (not including mortgage cost). So, I am satisfied that Sainsbury's Bank used a fairly accurate figure for that cost.

For the shared cost of the mortgage Sainsbury's Bank used a higher figure for Mr G's declared cost (£250) of £353. This would not have been a poor thing to have done as it was a bit higher than the £250 Mr G had declared.

The January 2022 statement reveals there was a payment into the account from a car company to Mr G and a slightly smaller payment out to that same car company.

Plus, there were two transfers to a savings account which added up to £360. I have not seen any copies of that savings account or what it had in it in 2022. But now I know that Mr G did have savings in 2022 and if Sainsbury's Bank had looked carefully at the January 2022 statement, as I have done, it would have noticed that as well. Having savings obviously is a positive factor when assessing affordability.

I have seen that a different lender credited the account with £4,800 on 16 January 2022. And then payments were made out to what appear to be two other loans with different lenders and a credit card. All these came to £4,378. This suggests to me that the £4,800 loan taken seems to have been used to pay off other debt.

For Mr G to have taken a loan just a month before applying for the Sainsbury's Bank loan is unusual. Mr G has explained that he has a behavioural trait which leads him to apply for loans and then pay them off. This goes some way to explaining this. And, although its unusual it can be a sign of positive account management.

And if Mr G is wondering why that £4,800 loan did not appear on the Sainsbury's Bank credit search there may be two reasons – one is that the loan was in his partner's name and the

other is that it was too recent to have registered with the credit reference agencies. Often new lending takes 8 weeks to appear – sometimes longer.

Mr G has said that as the account was nearly always in its overdraft then there was no affordability. But I do not consider it fair or reasonable for a regulated lender to be expected to refuse an application for a loan just because the applicant's current account is using its overdraft.

In Mr G's case I have seen that certainly one salary (possibly two) was being paid into the account and that services an overdraft. And is a positive element.

I accept that our investigator's view is a bit confusing – but by issuing my decision Mr G will read that I have chosen to proceed on the basis that Sainsbury's Bank did review that bank statement before lending loan 1.

So, had Sainsbury's Bank carried out further checks, then the details from the bank statements I've just outlined above would likely have been what it would have seen. As I think it did.

There's nothing in those statements which suggest any difficulties financially. There were no returned direct debits, the account did not go over its overdraft limit, and bills and credit repayments were being managed satisfactorily. The account was in credit more than it was in its overdraft.

If Sainsbury's Bank had reviewed the details, I have done it would not have made a difference to the lending decision for loan 1.

I do not uphold the complaint about loan 1.

## **Loan 2**

In early May 2022 Mr G called Sainsbury's Bank to ask for a 'top up' for his loan.

Sainsbury's Bank was given the same annual salary figure by Mr G and used a similar monthly income figure after tax of £2,099.

Mr G had told it that his outgoings £250 for rent/mortgage and Sainsbury's Bank used the same ONS figure for total expenditure of £427.

The credit search Sainsbury's Bank carried out told it that Mr G had revolving credit (credit cards) with an outstanding balance of £3,075 (on a £15,000 limit) which it calculated cost him around £153 a month to service.

It knew Mr G and total unsecured debt of £9,950, a large part of which would have been the first Sainsbury's Bank loan costing him £150 each month.

The new loan 2 was going to be costing him £213 each month so a change of around £63 each month.

As this was a new loan so close to the first loan, and as I think that Sainsbury's ought to have known about the £4,800 loan taken on 16 January 2022 (just before Mr G took this loan) then I consider Mr G had a fair point that it ought to have done further checks before approving loan 2 in early May 2022.

Our investigator referred to Sainsbury's Bank not having carried out the right checks but still did not uphold his complaint. And I understand why this was confusing to Mr G. I'm seeking to put that right here.

Mr G has sent to us the joint account statements for February 2022 to April 2022 as well. Mr G will know what these reveal as he has them.

What I have done is looked at them to see that if Sainsbury's Bank had viewed them whether that would have made a difference to its lending decision for loan 2.

Looking at February 2022, then I can see

- that Mr G received four income payments adding up to £1,848 which was less than January 2022 but February is a shorter month.
- that the company which paid in what appeared to be a salary in January 2022 did the same in February 2022 (£1,580) and so I am fairly confident that this was a second salary into the account.
- what appears to be a benefits payment credits the account as well. This was for £335.
- that the lender which gave the loan the previous month (£4,800) was repaid using the money from Sainsbury's Bank loan.
- the Sainsbury's Bank loan was used to pay off a credit card or two and £3,300 was transferred to a savings account. Another payment to the savings account was done as well for £580.
- a new payment was to a car company (different to the one in January 2022) and it was £450.

Sainsbury's Bank has provided explanations and evidence to show that Mr G paid off £3,000 of loan 1 in February 2022 to reduce his payments to £150. In the February 2022 bank statement Mr G has sent us I can see that £3,000 was transferred back from the savings account to this account and then paid back to Sainsbury's Bank.

The other outgoings for February 2022 look to have been similar to the month before.

Mr G has said that as the account was nearly always in its overdraft then there was no affordability. But as I said earlier, I do not consider it fair or reasonable for a regulated lender to be expected to refuse an application for a loan just because the applicant's current account is using its overdraft. In Mr G's case I have seen that two salaries were being paid into the account and those credits are what a lender looks for as they service an overdraft.

In March 2022, Mr G's salary was less - £1,778 over four payments this time. In March 2022 £300 was transferred in from the savings account. In April 2022, the income was back to £2,281.

In March 2022 and April 2022, a benefits credit plus a second salary credited the account as I have seen for January and February 2022. What that tells me is, again, that the mortgage, and bills and other credit payments were being paid for by Mr G and his partner together. So, Mr G's expenditure figures were shared. And had Sainsbury's Bank reviewed the information it would have seen that as well.

The regular and priority bills outgoings were similar as before and clearly as they were being paid from the same account into which two salaries were being credited, then the bills looked affordable together with the loan 2 repayment.

So, even if Sainsbury's Bank had looked at Mr G's bank statements for February 2022, March 2022 and April 2022 before making the decision about loan 2 in May 2022, I think that it would have seen that Mr G could afford half of the bills, half of the other credit repayments that needed to be paid plus the Sainsbury's Bank loan 2.

Even if Sainsbury's Bank had increased its checks and had looked at Mr G's bank account statements, I do not consider it would have made a different decision. And seeing the evidence I have seen I do not think that Sainsbury's Bank lent to him at loan 2 irresponsibly.

I do not uphold the complaint about loan 2.

### ***Interest rate difference***

I have thought about Mr G's concern over the interest rate. The rate for loan 2 was higher than the rate for loan 1. Loan 2 was for a longer term – 84 months.

It is not for the Financial Ombudsman Service to look into commercial rate setting carried out by regulated lenders.

What I have seen is that Mr G would have been sent the documents outlining the details of loan 2 and would have signed it before the monies were transferred to him. I consider he had opportunity and access to Sainsbury's Bank to ask about that if he had wanted to.

Mr G has told us that he is used to applying for loans and so I doubt that this procedure would have been different for him this time.

And although I appreciate Mr G has mentioned to us about his health issues and that he may have a difficulty in reading things I have seen no evidence from Sainsbury's Bank or from Mr G that he informed it about that. So, I would not have expected Sainsbury's Bank to know of this.

#### ***Other bank referred to in the view***

It appears that the former investigator who was handling this complaint for Mr G, wrote in his view the name of a bank not related to this complaint. I apologise for that on his behalf – it looks like it was an error.

#### ***Consumer Credit Act 1974 S140A***

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

#### ***Going forward***

My understanding is that Mr G has paid and continues to pay the loan back and there are no arrears. However, If Mr G now is experiencing financial difficulties I recommend he approaches Sainsbury's Bank to ask for assistance. I do not uphold the complaint.

#### ***My final decision***

My final decision is I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 May 2025.

Rachael Williams  
**Ombudsman**