

The complaint

Mr M complains that Sainsbury's Bank Plc irresponsibly lent to him.

What happened

Mr M was approved for a Sainsbury's credit card with an £11,000 credit limit in January 2021. Mr M says this was irresponsibly lent to him. Mr M made a complaint to Sainsbury's.

Sainsbury's did not uphold Mr M's complaint. They said a credit search was performed and Mr M met the relevant criteria, so the application was approved. Mr M brought his complaint to our service.

Our investigator did not uphold Mr M's complaint. He said Sainsbury's should have carried out further checks, however, further checks would have shown the lending was affordable. Mr M asked for an ombudsman to review his complaint. He told us that although he transferred money into savings he had to transfer the money back to his account and he had a lot of gambling transactions.

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.

Before agreeing to approve the credit available to Mr M, Sainsbury's needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Sainsbury's have done and whether I'm persuaded these checks were proportionate.

Sainsbury's said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr M had provided before approving his application. The information showed that Mr M declared a gross annual salary of £48,000. There was no adverse data such as defaults, County Court Judgements or arrears showing on his credit file. The data also showed that Mr M had active outstanding unsecured balances of £21,650. So this would be over half of his annual net income before Sainsbury's added to the credit Mr M could use.

I do note that Mr M also declared additional household income, however, only Mr M would be responsible for repaying the debt. So I'm not persuaded that Sainsbury's should have included another household member's income into their affordability calculations, even if they did not include all of it.

Once the £11,000 credit card limit was added to his existing £21,650 of unsecured debt, then if Mr M utilised all of the credit limit, this would result in his total unsecured debt being £32,650, which would be around 68% of his declared gross annual income.

So based on all of these factors, I'm persuaded that Sainsbury's should have carried out further checks to ensure the lending would be affordable and sustainable for Mr M. There's no set way of how Sainsbury's should have made further proportionate checks. One of the things they could have done was to contact Mr M to get an understanding of his finances. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr M has provided his bank statements for the months leading up to the acceptance of his credit card. Mr M appeared to transfer £780 to a joint account for household bills after he was paid. He was also shown to have payments to a savings account. Although Mr M has told us he often had to transfer money back into his bank account, there are other transfers going back out to another account in his name.

Although Mr M's statements do show gambling transactions, it appears these are made from disposable income. I say this because Mr M's account often appears to be in credit by three or four figures, he was not overdrawn at any point in the three months of his bank statements he's provided our service leading up to this lending decision. I did note he had a returned standing order for his savings account but he did have enough funds in his account to make this payment on the day. He had no returned direct debits.

So if Sainsbury's had requested Mr M's statements as part of a proportionate check, then I'm persuaded they would have still approved his application and approved the £11,000 credit limit. I can see there was a promotional balance transfer available on this account, so this could also free up some further disposable income if Mr M wasn't paying as much interest on any transferred balances. So I'm persuaded that Sainsbury's made a fair lending decision here.

I've also 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 can't conclude that Sainsbury's lent irresponsibly to Mr M 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.

My final decision

I do not uphold this complaint.

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

Gregory Sloanes
Ombudsman