

## **The complaint**

Mrs A is unhappy with the service she's received from Sainsbury's Bank Plc, trading as Sainsbury's Finance, surrounding the defaulting of her account.

## **What happened**

Mrs A had a credit account with Sainsbury's. Unfortunately, in July 2023, Mrs A's personal circumstances changed such that she could no longer afford to make the minimum monthly payments required on the account. Mrs A spoke with Sainsbury's at that time, and a long-term payment plan was agreed wherein Mrs A would pay £70 a month towards the account. However, this monthly payment amount was less than the minimum monthly payment required on the account.

In April 2024, Sainsbury's agreed to set up a further £70 per month payment plan with Mrs A which would run until May 2025. But in September 2024, a Sainsbury's error caused that payment plan to be cancelled, and the limitations of Sainsbury's systems meant that a replacement payment plan couldn't be set up. And because the £70 per month payments that Mrs A continued to make were less than the minimum monthly payments required on the account, Mrs A's account was considered to have fallen into arrears by Sainsbury's and was later defaulted by them. Mrs A wasn't happy about this, so she raised a complaint.

Sainsbury's responded to Mrs A and apologised for what had happened. Sainsbury's acknowledged that the payment plan had been cancelled incorrectly because of their mistake but explained that upon review it was felt that Mrs A should never have been offered the payment plan that was put in place – given her personal and financial circumstances at that time.

Sainsbury's went on to explain that they felt the best outcome here was for Mrs A's account to remain defaulted, but for that default to be backdated to July 2023, when Mrs A told Sainsbury's that she wouldn't be able to make the minimum monthly payments on the account. Finally, Sainsbury's offered to pay £200 to Mrs A as compensation for any upset or frustration that she's experienced surrounding what had happened. Mrs A wasn't satisfied with Sainsbury's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. They felt that Mrs A's account should have followed a default process from July 2023 and that Sainsbury's decision to backdate a default to that month was a fair one. But they didn't feel that the £200 compensation offered to Mrs A by Sainsbury's went far enough to address the impact of Sainsbury's mistakes on Mrs A, and so said that Sainsbury's should pay an increased amount of £500 compensation to Mrs A, but that this compensation should be used to reduce Mrs A's outstanding debt with Sainsbury's. Mrs A didn't accept the view of this complaint put forwards by our investigator, so the matter was escalated to an ombudsman 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.

I issued a provisional decision on this complaint on 26 March 2025 as follows:

*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. 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 factors and circumstances of a complaint into consideration.*

*I also note that Mrs A has provided several detailed submissions to this service regarding her complaint. I'd like to thank Mrs A for these submissions, and I hope that she doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.*

*This means that if Mrs A notes that I haven't addressed a specific point that she's raised, it shouldn't be taken from this that I haven't considered that point – I can confirm that I've read and considered all the submissions provided by both Mrs A and Sainsbury's. Rather, it should be taken that I have considered that point but that I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.*

*Upon review, I feel that Sainsbury's should not have offered the £70 per month payment plan to Mrs A in July 2023 that they did. Specifically, Sainsbury's shouldn't have offered a payment plan wherein arrears were not considered to continue accruing on the account such that an arrears and recoveries process that would include the defaulting of the account would not have commenced.*

*I say this because when a temporary reduced payment plan is agreed on a credit account, as was the case here, it would be expected that the fact that the account holder couldn't pay the full contractually required payment amount would be reported by the lender to the credit reference agencies. This is as per guidance issued by the Information Commissioner's Office ("ICO") which Mrs A has herself provided a copy of to this service.*

*Additionally, that same guidance confirms that a temporary payment plan should be temporary and that the account should revert to the original contractual terms at some point. But in this instance, Sainsbury's had agreed to allow Mrs A to remain on the £70 per month plan from July 2023 to at least May 2025. This is nearly two years, and I don't feel that this timeframe aligns with the spirit of the ICO guidance, which I feel is suggestive of a much shorter definition of 'temporary'.*

*Notably, when it comes to the defaulting of an account, the ICO guidance suggests that an account should be defaulted after it has fallen at least three months into arrears, but no more than six months into arrears. And this timeframe is generally understood as being structured to allow an account holder time to recover the position of their account, but not to allow arrears to continue to grow for a sustained period.*

*The reason it's felt that arrears shouldn't be allowed to accrue indefinitely is because this could be financially damaging for the account holder, given that they will be incurring adverse credit file reporting because of the arrears, and given that interest, fees, and charges may be being incurred on the growing unpaid balance. Furthermore, I feel that if an account holder hasn't been able to meet the contractually required payment terms of the account for six months, that it's reasonable to consider that account holder to have defaulted on the repayment terms of their account.*

*So, if we consider again Mrs A's position in July 2023, a change of personal circumstances meant that Mrs J could only afford to pay £70 per month towards her Sainsbury's credit account – which was less than the minimum monthly payment contractually required on the account. Additionally, the fact that Mrs A would likely only be able to pay £70 every month seemed unlikely to change anytime soon – as demonstrated by the fact that Mrs A has only been able to pay £70 per month since that time.*

*This means that unfortunately there seems not to have been any reasonable chance that Mrs A would have been able to clear the arrears that accrued on her account and resume making the contractually required payments within six months of July 2023. And this means that Sainsbury's shouldn't have offered the payment plan to Mrs A under the terms that they did – because this resulted in Mrs A incurring ongoing adverse reporting to her credit file because of the insufficient monthly payments for nearly two years and could have done so for several further years.*

*Instead, I feel that Sainsbury's should have explained to Mrs A that while they would accept monthly payments of £70 from her, that these payments would mean that arrears would develop on Mrs A's account, which if unaddressed would likely result in the defaulting of her account within six months.*

*Mrs A may point out that she was happy with the payment plan that was agreed, wherein she didn't accrue interest or fees on the account and paid £70 per month. But as alluded to above, such a payment plan should never have been offered to her, because the plan doesn't adhere to the standards that lenders are expected to adhere to surrounding credit agreements.*

*There is a scenario where the balance of an account isn't expected to accrue interest, fees, and charges (and so doesn't increase) and wherein the account holder can come to a tailored arrangement to pay however much they can reasonably afford to pay to clear the outstanding account balance. And that scenario is after an account has been defaulted.*

*Ultimately, because of the unfortunate change of circumstances, I feel that Mrs A's Sainsbury's credit account was most likely always going to default after July 2023, because Mrs A couldn't meet the contractual repayment terms of the account. But, because Sainsbury's provided Mrs A with the type of payment plan that they did, I feel that Sainsbury's unfairly delayed the defaulting of Mrs A's account.*

*Sainsbury's have belatedly recognised this fact themselves, which has resulted in them backdating the defaulting of Mrs A's account to July 2023. This feels fair to me, given what I've explained above. And by backdating the default to when Mrs A first told them of her change in circumstances in July 2023, instead of backdating it to January 2024, which would have been consistent with a full six-month default process taking place, I feel that Sainsbury's have acted to Mrs A's benefit, given that the default will fall off her credit file sooner – in July 2029 rather than January 2030.*

*So, while I accept that Sainsbury's cancelled the payment plan that they had agreed with Mrs A by mistake, I don't feel that payment plan should ever have been agreed with Mrs A in the first place. And because of this, I feel that the outcome here – that Mrs A's account is now considered to have defaulted in July 2023 – is a fair outcome, given the unfortunate nature of Mrs A's circumstances.*

*But by providing the payment plan to Mrs A that they did, I feel that Sainsbury's have caused a prolonged amount of upset and frustration for Mrs A that she reasonably shouldn't have*

*incurred. This includes that false expectation that Mrs A had regarding the payment plan. And because of Mrs A's personal circumstances, I feel that the impact of Sainsbury's extended error on Mrs A has been exacerbated.*

*Because of this, I feel that Sainsbury's should pay compensation to Mrs A for the trouble and distress that she's experienced during this difficult time for her. And so, I'll be provisionally instructing Sainsbury's to pay £500 to Mrs A by way of compensation for this.*

*In arriving at this £500 figure, I've considered the impact of what's happened on Mrs A, along with the general framework this service uses when assessing compensation amounts, details of which are available on this service's website. And taking these factors into account, I feel that £500 is a fair compensation amount.*

*However, I note that our investigator recommended that Sainsbury's should apply this £500 compensation to reduce the balance that Mrs A owes to them. I don't agree with this recommendation, and so my provisional instruction to Sainsbury's is that they must pay this amount directly to Mrs A and not apply it to reduce her outstanding balance with them.*

*Furthermore, if Sainsbury's haven't done so already, they should recalculate Mrs A's loan as if it had been defaulted in July 2023 and ensure that Mrs A hasn't been adversely financially impacted because her loan wasn't defaulted at that time.*

*Finally, I note that Mrs A has suggested that if Sainsbury's had acted as they should of, that she would have opened a new credit account to take advantage of any 0% balance transfer offers that were available at that time and then transferred the balance to that new credit account. However, given Mrs A's personal and financial circumstances at that time, I'm not convinced that Mrs A could have successfully applied for a new credit account.*

*Indeed, had any other lender provided further credit to Mrs A at that time, being fully aware of Mrs A's current personal situation and her inability to meet her existing credit commitments, I would almost certainly consider that lender to have provided further credit to Mrs A irresponsibly. And I maintain my position that, ultimately, a fair outcome here is that Mrs A's Sainsbury's credit account is considered to have defaulted in July 2023.*

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Sainsbury's responded to my provisional decision and confirmed they were in acceptance of it and asked for it to be noted that hadn't expected that the awarded compensation should be used to reduce the amount of outstanding debt and that they hadn't asked our investigator to make this recommendation.

Mrs A also responded to my provisional decision and reiterated that she had kept to the £70 per month payment plan that she had agreed. However, this point isn't in dispute, but as explained, while Sainsbury's did make a mistake in cancelling that plan, I feel that they made an earlier mistake by offering that plan to Mrs A in the first instance. And for the reasons explained in my provisional decision above, I continue to feel that the retrospective defaulting of Mrs A's account in July 2023 is a fair outcome here.

Mrs A also explained that she didn't feel that £500 represents a fair compensation amount in consideration of what's happened and made reference to the impact of these events on her mother. However, because this complaint is raised on the name of Mrs A, I'm only able to consider the impact of events on Mrs A, because she is the eligible complainant. And I'm unable to consider the impact of what's happened on anyone other than Mrs A.

Furthermore, while I acknowledge that matters of compensation can be subjective, upon review of the circumstances surrounding this complaint, and in consideration of the general framework this service uses when assessing compensation amounts, it remains my position that £500 is a fair compensation amount.

As such, my final decision is that I uphold this complaint in Mrs A's favour on the limited basis wherein I instruct Sainsbury's to pay £500 directly to Mrs A as compensation the upset and inconvenience that Mrs A has incurred here. But I do not uphold Mrs A's complaint as it relates to Sainsbury's decision to retrospectively default Mrs A's account from July 2023, which as explained above, I feel is a fair outcome.

I realise this may not be the decision that Mrs A was wanting, but I hope that she understands, given what I've explained, why I've made the final decision that I have.

### **Putting things right**

Sainsbury's must pay £500 to Mrs A.

### **My final decision**

My final decision is that I uphold this complaint against Sainsbury's Bank Plc trading as Sainsbury's Finance on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 28 April 2025.

Paul Cooper  
**Ombudsman**