

The complaint

Miss B says Sainsbury's Bank Plc irresponsibly lent to her.

What happened

Miss B took out a loan for £13,000 over 60 months on 13 March 2022. The APR was 10.9% and the monthly repayments were £278.72.

Miss B says proper checks were not done before she received the loan. She was already under financial pressure.

Sainsbury's Bank says it carried out adequate checks that showed Miss B would be able to afford the loan.

Our investigator did not uphold Miss B's complaint. She said whilst Sainsbury's Bank did not complete adequate checks it could fairly have made the same lending decision had it done so.

Miss B disagreed and asked for an ombudsman's review. In summary, she said her income was inconsistent as she was self-employed in an unpredictable industry and she was reliant on universal credit; the income she declared was before any tax deductions; Sainsbury's did not make certain that she would use the loan to consolidate existing debt so in essence it doubled her debt; and it was not enough to use national averages for her expenses given the size of the loan.

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 have thought carefully about all the points Miss B has made. I mean no discourtesy by this, but in keeping with our role as an informal dispute resolution service – and as our rules allow – I will focus here on the issues I find to be material to the outcome of her complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss B's complaint.

I've decided not to uphold Miss B's complaint. I'll explain why.

Sainsbury's Bank needed to make sure that it didn't lend irresponsibly. In practice, what this means is Sainsbury's Bank needed to carry out proportionate checks to be able to understand whether Miss B could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

This means to decide this complaint I need to consider whether the checks Sainsbury's Bank carried out were proportionate, if not what would better checks have shown, and if so did it make a fair lending decision.

I can see Sainsbury's Bank reviewed certain information before lending. It asked Miss B for her gross annual income (£32,000) and from this calculated a net monthly figure (£2,108). It asked for her housing costs (£250). It used national statistics to estimate her living costs (£426.67). It added a buffer for unplanned costs. It carried out a credit check to understand her repayment history, total debt level and existing credit commitments (£174). It asked about the purpose of the loan which was debt consolidation. From these checks combined it concluded Miss B could afford to take on this loan.

I am not persuaded these checks were proportionate given the value and term of the loan. There was also an inconsistency between the total debt Miss B had (£13,350) and her current repayments of £174 that needed further investigation. So, I think it ought to have carried out a fuller financial review.

In cases like this we look at bank statements from the three months prior to application to understand actual incomings and fixed outgoings. They show Miss B's average monthly income, whilst variable, was higher than stated (£3,092). This included income from benefits but the regulatory guidance allows lenders to take benefit income into account. Miss B said that this income was before tax deductions, but I would not have expected Sainsbury's Bank to know this as it reviewed her statements. It was not a business account and it seems that the incoming payments were from Miss B's business account so it could reasonably have expected tax to have been deducted before she took a salary. Her housing and living costs (approx. £1,080) were higher than the bank had estimated, but not to the extent that loan became unaffordable.

Miss B had £13,350 of debt, £11,825 of which was on cards. So that would need to cost her around £650 a month assuming she paid a sustainable 5% of balance. It seems she was choosing to repay more than this. However, as this loan was for debt consolidation and would cover 97% of that debt these costs would fall away. So this loan with its monthly repayment of £278.72 would free up a significant amount of disposable income for Miss B. She also had no adverse data, such as defaults or CCJs, from the previous 36 months on her credit file that ought to have concerned Sainsbury's Bank.

Miss B argues the bank didn't know for certain she would use all the loan for consolidation but it could only make a reasonable decision based on the information it had available at the time. And as Miss B didn't have a history of applying for loans with Sainsbury's Bank for consolidation purposes and then returning for further funds after having failed to consolidate as she said she would, I think the bank was reasonably entitled to believe the funds would be used for the stated purpose. She also raised that she was always overdrawn but I cannot see she was persistently reliant on the facility as there were many occasions when she had a credit balance.

It follows I do not think Sainsbury's Bank was wrong to lend to Miss B.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think

Sainsbury's Bank lent irresponsibly to Miss B or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

Finally, I am sorry Miss B went on to struggle financially and that this led to an unthinkable difficult decision for her. I hope she now has the support she needs. StepChange (tel: 0330 055 2198) and MIND (tel: 0300 123 3393) are organisations that can provide free assistance with debt management and mental health respectively if not.

My final decision

I am not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 7 October 2025.

Rebecca Connelley
Ombudsman