DRN-5672449

## The complaint

Mr R complains that Sainsbury's Bank Plc ("Sainsbury's") irresponsibly provided him with a personal loan.

Mr R is supported in bringing his complaint by a representative but for ease of reading, I'll refer to Mr R throughout.

## What happened

Sainsbury's provided Mr R with a personal loan in June 2024 for £5,000, with a total amount of £6,567 repayable over 60 months. I understand the loan now forms part of Mr R's Individual Voluntary Arrangement ("IVA").

Mr R complained to Sainsbury's. In summary, he said Sainsbury's lent to him whilst he wasn't well and had been out of work for five years. Mr R says he's vulnerable and has serious mental health issues. He has explained that the loan was taken out to pay towards an investment scam.

In its final response, Sainsbury's didn't uphold Mr R's complaint. Sainsbury's said, in summary, that it carried out proportionate checks before agreeing to lend to Mr R, and it didn't think it had lent irresponsibly. It also said, after reviewing Mr R's bank statements, that even if it had carried out further checks, it's decision to lend wouldn't have changed. Unhappy with the response, Mr R referred his complaint to our service.

Our Investigator considered the information from both parties but didn't uphold Mr R's complaint. In summary, they said the lending was responsible because Mr R had enough disposable income available and further recent lending Mr R had taken out, wouldn't have yet been showing on Mr R's credit report.

Sainsbury's accepted the Investigator's opinion however Mr R did not and requested for an Ombudsman to consider his complaint.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

## 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 appreciate that Mr R has explained what was happening for him at this time and that he'd been victim to an investment scam. As our Investigator has rightly said, it's clear this would have had a devastating effect, and I am so sorry to hear about what's happened. I also want to thank him for sharing information about his personal circumstances with us.

But – I can only say Sainsbury's did something wrong if it knew, or should have known, about the reality or the extent of Mr R's situation. Or, if there were other reasons it shouldn't have lent to Mr R.

Having carefully considered everything provided, I don't uphold Mr R's complaint – and I'll explain why.

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 Mr R's complaint.

Sainsbury's needed to make sure it didn't lend irresponsibly. It was required to carry out proportionate checks to understand whether Mr R could afford to repay before providing the loan. This means Sainsbury's needed to take reasonable and proportionate steps to check that making the loan repayments wouldn't cause Mr R undue difficulty or have adverse consequences.

There aren't set rules about what a proportionate check should include and a proportionate check could look different for different applications.

But we might think the lender needed to do more if, for example, a borrower's income was low, the amount lent was high, or if a borrower would be indebted for a lengthy period of time. 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 it didn't continue to lend to its customer irresponsibly.

There may also be other factors which could influence how detailed a proportionate check should be, for example, any borrower vulnerability or foreseeable changes in future circumstances.

When Mr R was provided with the loan, Sainsbury's was required to understand whether he could sustainably repay the full amount it was prepared to lend.

Sainsbury's checks at the time of lending showed:

- Mr R said the loan was for car related costs/repairs.
- Mr R declared he was retired with a gross annual income of £12,500, he was a homeowner and owned the property outright therefore he had no mortgage repayments.
- Mr R's net monthly income was £1,042, estimated living expenses were £447.92 per month, including a disposable income buffer of around £60 per month and therefore his disposable monthly income was around £535.
- Mr R had £250 in existing unsecured debt, there were no recorded arrears, defaults or County Court Judgments ("CCJs").
- Mr R was able to provide supporting documentation including a photo of himself for the purposes of the application. Therefore, Sainsbury's said there wasn't any evidence of the health issues or capacity issues he'd mentioned.

Whilst Mr R said he'd been out of work for five years, I can see he had a regular income from benefits - and this doesn't automatically preclude someone from being granted credit. I am conscious that Mr R's disclosed income was low, and this loan required a relatively long commitment of five years. On the other hand, the loan attracted relatively low monthly payments (around £110 per month), Mr R didn't have any housing costs, he had low external credit commitments and no recorded adverse information on his credit file.

On balance, considering the relatively low monthly payments required on this loan, against Mr R's likely disposable income and that Sainsbury's checks showed Mr R wasn't over-indebted and appeared to be managing any current or recent credit well, I'm satisfied Sainsbury's checks were proportionate and show the lending was affordable.

I appreciate Mr R took out other lending around the same time as this Sainsbury's loan, but having seen evidence of Sainsbury's checks, this other lending wasn't showing. Given the proximity of the lending, I'm satisfied it's unlikely to have shown on Sainsbury's credit checks. That's because it can take some time for lending to show on a credit report. And there are three Credit Reference Agencies, not all lending is reported to all three and lenders aren't obliged to check all three before lending. So, I think Sainsbury's is entitled to rely on the information it saw.

I also haven't seen anything that indicates Sainsbury's knew, or ought to have known about Mr R's health issues or evidence of his vulnerability, which I understand is, at least in part, what led to him becoming victim to a scam. I know this will be disappointing for Mr R and I accept that the reality of his situation was very different. But it appears this was the first time Mr R had any dealings with Sainsbury's as a lender, and I'm satisfied there was nothing about Mr R's application that ought to have alerted Sainsbury's that there may be other reasons it ought not to have lent.

Therefore, I'm satisfied Sainsbury's checks were proportionate and overall, the lending fair.

Finally, 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 lent irresponsibly to Mr R 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**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 December 2025.

Sophie Kyprianou
**Ombudsman**