

The complaint

Miss K complains that Sainsbury's Bank Plc ("Sainsbury's") irresponsibly granted her a credit card that she couldn't afford to repay.

What happened

Miss K entered into an agreement with Sainsbury's to have access to credit with a credit card account. The account was opened in February 2019 with a credit limit of £6,500. There followed a credit limit increase in March 2022, to £7,700 and then a further increase in January 2024 to £8,050.

Miss K says that Sainsbury's didn't complete adequate affordability checks when it granted her the card and then went on to increase her credit limits. She says if it had, it would have seen that it wasn't affordable for her as she was already struggling with other debt so having the card with the increased limits worsened her financial position.

Our investigator didn't think Sainsbury's was wrong to grant Miss K the card with the initial credit limit. But she thought it shouldn't have gone on to increase Miss K's credit limit in March 2022.

As Sainsbury's doesn't agree with our investigator's finding, the complaint has come to me 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.

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 K's complaint.

Our investigator decided to uphold this complaint, saying that Sainsbury's ought not to have increased Miss K's credit limit after granting the first credit limit increase in March 2022. Having reviewed all the available evidence and information I'm in agreement and will explain why.

Account opening

The credit check Sainsbury's completed looked into Miss K's financial circumstances, using information obtained from credit reference agencies. Sainsbury's also relied on information Miss K gave on her application. Miss K said she had an annual income of around £27,000, which Sainsbury's worked out to be a monthly net income of around £1,900. There was additional household income from her partner of £24,000 available. So Sainsbury's calculated that there was a total monthly household income of just over £3,500.

From that, there was mortgage of around £860 to be paid each month and household living costs of £980.

There was no evidence of Miss K having any recent defaults or other adverse markings on her credit file. Sainsbury's checks showed that Miss K owed just over £8,000 in outstanding credit at that point which meant she needed to find around £440 each month.

Based on all this Sainsbury's calculated that there would be around £945 in disposable income available each month, so the new card looked to be affordable.

I think it would have been proportionate for Sainsbury's to have taken steps to verify Miss K's monthly income, given the level of credit that was being considered. I also think it ought to have found out more about Miss K's share of the committed household expenditure. I can't be sure exactly what Sainsbury's would have found out if it had asked. In the absence of anything else, I think it would be reasonable to place significant weight on the information contained in her bank statements as to what would most likely have been disclosed. Like our investigator, I've reviewed three months of bank statements leading up to the lending decision. These show that Miss K's monthly income was lower, averaging out at around £1,670 per month – and that included allowing for contribution towards household shopping from her partner. Once her committed household costs and credit repayments of around £1,250 were taken off, she'd be left with just over £400 in disposable income each month.

This demonstrates that Miss K appears to have had enough disposable income each month to make regular, sustainable repayments towards the new card. Had Sainsbury's completed proportionate checks, I think it's likely it would have discovered this too. It therefore didn't act unfairly by opening the account.

Credit limit increase

Sainsbury's nevertheless needed to be assured that its checks were reasonable and proportionate before granting any further credit. That means the card needed to remain affordable for Miss K as she continued to use it and that she should still be able to repay it in a sustainable way. To do this properly, Sainsbury's would need to be aware of not only how Miss K was managing her card, but that she was able to manage it within her wider financial circumstances.

Sainsbury's therefore needed to take steps to find out more about any changes to Miss K's financial circumstances, focusing on other committed expenditure and living costs as well as the overall level of credit that was available to her. Here, as already noted by our investigator, Miss K had missed three monthly credit payments in late 2021. That's evidence of ongoing difficulty meeting her existing credit payments and is something that Sainsbury's ought to have flagged at the very least as potential source of concern when considering granting her further credit.

Also, at the time of the increase Miss K already had £15,000 in other debt. That's a significant sum, particularly in relation to her household income to repaid sustainably alongside any additional credit Sainsbury's decided to give her. And the fact that she had been successful in reducing her level of credit exposure in recent months isn't enough reason in itself to then provide her with further credit. It therefore would have been proportionate for Sainsbury's to have got a more thorough understanding of her financial circumstances at that point before increasing her credit limit.

Again, I think Miss K's bank statements give a fair indication of what Sainsbury's might have found had it taken additional steps to satisfy itself that Miss K was in a position to be able to sustainably repay each of the limit increases that followed.

I agree with our investigator that whilst her total monthly income had gone up to around £2,000 per month, including contributions from her partner towards shopping and other costs. However, her actual earned income plus regular state benefits, averaged out at around £1,800 per month. Our investigator calculated an average disposable income of around £127 based on her share of total household costs. Were it not for the contributions from her partner, I think her level of disposable income would have been minimal, if any. That means there was little likelihood or certainty of having funds left over for additional non-essential household costs and emergencies.

Had Sainsbury's taken steps to find this out, I think it would have seen this as a source of concern in terms of Miss K's ability to manage her debt alongside her daily living costs.

I also don't consider that because she was able to stay within her increased credit limit going forwards – and not use it to its fullest extent – it means that the new limit was affordable. The wider context of her steadily increasing level of borrowing shows that she was becoming increasingly dependent on borrowing to make ends meet. In making my decision I have to look at the information that was available, or likely to have been available, to Sainsbury's at the time it was dealing with Miss K, rather than relying on hindsight.

Taking everything I've seen into consideration, I think the bank statement details suggest it's very likely that Miss K wasn't in a position to be able to sustainably repay the new additional credit on her card without worsening her financial situation.

It follows that I agree with our investigator that Sainsbury's ought not to have increased Miss K's credit limit. And I've not seen enough to show or suggest that her circumstances had improved by the time of the second credit limit – in terms of debt alone, it actually appears to have more than tripled.

It follows that I'm upholding this complaint from the point of the first credit limit increase.

I've considered whether the relationship between Miss K and Sainsbury's might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for her results in fair compensation in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right – what Sainsbury's needs to do

Sainsbury's shouldn't have increased Miss K's credit limit to £7,700 on 1 March 2022. Sainsbury's therefore needs to do the following:

- Rework Miss K's account to ensure that all interest and charges should be removed from the account for balances over £6,500, being the opening credit limit. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made, Sainsbury's should contact Miss K to arrange an affordable repayment plan for the account. Once Miss K has repaid the outstanding balance, it should remove any adverse information recorded on Miss K's credit file from 1 March 2022 onwards.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss K, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Sainsbury's should also remove any adverse information from Miss K's credit file from 1 March 2022.

†HM Revenue & Customs requires Sainsbury's to take off tax from this interest. Sainsbury's must give Miss K a certificate showing how much tax it's taken off if she asks for one.

My final decision

I therefore uphold this complaint in part and require Sainsbury's Bank Plc to pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 15 October 2025.

Michael Goldberg

Ombudsman