

## **The complaint**

Sainsbury's Bank Plc provided Mr R with a £7,675 loan in June 2024. The APR was 11.9% and the monthly repayments were £358.77. Mr R says the loan was provided irresponsibly.

## **What happened**

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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.

Having considered everything, I'm upholding Mr R's complaint. I'll explain my reasoning below:

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr R's case.

I've decided the loan wasn't provided fairly because:

- I don't think the checks Sainsbury's Bank did before providing the credit were reasonable and proportionate given the credit limit it offered and what it knew about Mr R's financial situation.
- If Sainsbury's Bank had done proportionate checks, I think it's likely these would have shown it was unfair to provide the loan to Mr R.
- While I don't think Sainsbury's Bank needed to go as far as reviewing Mr R's bank statements, I do think it should have done more to better understand his income and expenditure. I've reviewed Mr R statements to better understand what he likely would have disclosed had Sainsbury's Bank asked him more questions. Having done so, I think Sainsbury's Bank ought to have realised Mr R would likely be left with negative disposable income after approving the loan. That's because his average monthly income was just over £2,000, but his monthly essential expenditure and repayments towards existing credit accounts (combined) exceeded this. And this likely would have continued even with the loan being used towards debt consolidation as Mr R declared in his application.
- Based on the information Mr R provided about his circumstances at the time, I think it should have realised Mr R was likely to be unable to sustainably repay what he was being lent.
- Sainsbury's Bank has said this complaint shouldn't be upheld as Mr R repaid his loan early. However, I don't consider it's fair and reasonable to rely on what happened

after the point we've been asked to investigate (Sainsbury's lending decision in June 2024). Also, Sainsbury's didn't approve the lending on the basis it knew he would repay it early – or how. And as mentioned above, reasonable and proportionate checks likely would have shown the borrowing was unaffordable.

This means I don't think Sainsbury's Bank should have provided the loan to Mr R.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr R in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

As I don't think Sainsbury's Bank ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr R should pay back what he borrowed. Therefore, Sainsbury's Bank should:

Add up the total repayments Mr R has made and deduct these from the total amount of money Mr R received.

a) If this results in Mr R having paid more than he received, any overpayments should be refunded along with [8% Bank of England base rate plus 1% simple interest per year\*] (calculated from the date the overpayments were made until the date of settlement). † Sainsbury's Bank should also remove all adverse information regarding this account from Mr R's credit file.

b) If any capital balance remains outstanding, then Sainsbury's Bank should arrange an affordable and suitable payment plan with Mr R. Once Mr R has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

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

### **My final decision**

My final decision is that I'm upholding this complaint and Sainsbury's Bank Plc must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 January 2026.

Sarah Turay  
**Ombudsman**