

The complaint

Miss W complains that Sainsbury's Bank Plc trading as Sainsbury's Bank lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Miss W applied for a Sainsbury's Bank credit card in June 2022. In her application, Miss W said she had an annual income of £72,500 that Sainsbury's Bank calculated left her with £4,196 a month after deductions. Sainsbury's Bank carried out a credit search that found Miss W had existing debts of £17,550 with monthly repayments of £669. No defaults, adverse credit or recent arrears were noted although Miss W says she was party to a debt management plan (DMP) at the time. A rent figure of £906 and estimated general living expenses of £655 a month were used by Sainsbury's Bank when assessing the application.

Sainsbury's Bank's lending data shows that when it attempted to verify Miss W's income level it was unable to do so. As a result, the lending data shows a net monthly income of £1,930 was used in the affordability assessment. Sainsbury's Bank has confirmed the application didn't immediately pass its automated checks and was passed to underwriters to review. After a wait of two months, Miss W's application was approved in August 2022 and a credit card with a £3,000 limit was issued.

Miss W didn't use the credit card until March 2023. In April 2023, the credit limit was increased to £3,600 by Sainsbury's Bank. At the time, Miss W's other debts had increased to around £26,250. The account balance exceeded the credit limit in April 2024 and arrears began to accrue from January 2025.

More recently, Miss W complained that Sainsbury's Bank lent irresponsibly and it issued a final response. Sainsbury's Bank said it had carried out the relevant lending checks before approving the application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss W's complaint. They thought Sainsbury's Bank should've carried out better checks before approving Miss W's application. The investigator reviewed Miss W's bank statements for the months immediately before the application but felt the information provided was incomplete. The investigator was satisfied Miss W was earning £2,913 in June 2022. The investigator thought Sainsbury's Bank completed reasonable and proportionate checks before approving the credit limit increase in April 2022 and wasn't persuaded it lent irresponsibly.

Miss W asked to appeal and said she wasn't earning £4,196 a month and that Sainsbury's Bank had failed to verify her income or outgoings. Miss W also said her existing debts were greater than the figure used by Sainsbury's Bank. Miss W added that her circumstances had changed after her application was approved by Sainsbury's Bank meaning her regular outgoings increased. As Miss W asked to appeal, her complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend or increasing the credit limit, the rules say Sainsbury's Bank had to complete reasonable and proportionate checks to ensure Miss W could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information that Sainsbury's Bank used when considering Miss W's application above. Having reviewed the available lending data, I've reached a different conclusion to the investigator as the figures used don't allow me to reach the conclusion Sainsbury's Bank carried out a reasonable lending assessment in this case or that it lent responsibly based on the information it obtained. I'll explain why.

In response to the investigator, Miss W said Sainsbury's Bank had failed to get evidence of her income. But Sainsbury's Bank uses a service provided by the credit reference agencies to help verify a customer's income level. However, in this case, the evidence on file shows Sainsbury's Bank wasn't able to verify Miss W's income at £4,196 a month. The lending data shows a "red" in the field used to verify income. Further, the results indicate the system declined Miss W's application initially due to affordability concerns. As part of the investigation, Sainsbury's Bank has confirmed it was unable to verify Miss W's income level and when that occurs, it uses 50% of the declared income instead. Sainsbury's Bank says it used a net monthly income figure of £1,930 when considering Miss W's application.

Using a net monthly income figure of £1,930, I've applied the rent figure of £906 Sainsbury's Bank used in its affordability assessment along with the estimate for Miss W's regular outgoings of £655 and existing debt repayments of £669 a month. That left Miss W with a shortfall of £300 a month. Given I've taken these figures from Sainsbury's Bank's own lending data, it's unclear why the system's decision to decline the application was later overturned after a two month wait. In my view, the application figures show Miss W wasn't earning £72,500 and that her outgoings were higher than the income figure Sainsbury's Bank used. In the circumstances, I think the information available should've led Sainsbury's Bank to decline Miss W's application for a credit card in June 2022.

It follows that if I think the decision to approve Miss W's application wasn't reasonable I think the same about the decision to increase her credit limit. I note that whilst Miss W's account history and some credit file results have been supplied by Sainsbury's Bank, no affordability or evidence of the specific lending checks before the credit limit increase appear to have been provided. And whilst I can see Miss W hadn't used her credit card until March 2023,

the month before Sainsbury's Bank increased the credit limit to £3,600, I also note her unsecured debt levels had increased from £17,550 to £26,250 in April 2023. In my view, that was a significant increase in the period since Miss W's application was approved and indicates she was borrowing at an unsustainable rate. Based on the information I've seen so far, I haven't been persuaded Sainsbury's Bank lent irresponsibly so I intend to uphold Miss W's complaint and direct it to refund all interest, fees and charges applied from the date of approval.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss W 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.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Miss W responded and confirmed she is willing to accept in terms of the interest and charges refund. But Miss W also asked about the requirement for Sainsbury's Bank to amend her credit file, removing negative information *after* the remaining balance is repaid in full. Miss W explained that she's currently in a debt management plan that will result in her debt being repaid over the next seven years. Miss W says the credit file information is impacting her ability to move.

Sainsbury's Bank didn't respond with further comment or information.

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'd like to thank Miss W for her response and understand the information recorded on her credit file will continue to impact her until the balance is repaid in full. But I'm satisfied the requirement to remove the information once the balance is repaid is fair. Ultimately, whilst I agree Sainsbury's Bank lent irresponsibly, Miss W had the benefit of the funds borrowed so I think it's reasonable for the information recorded about the account to remain on her credit file until the balance is cleared. I'm sorry to disappoint Miss W but I haven't been persuaded to change the conclusions reached in the provisional decision.

As no new information that has changed my view of Miss W's complaint has been provided, I am going to proceed with the settlement reached in my provisional decision.

My final decision

My decision is that I uphold Miss W's complaint and direct Sainsbury's Bank Plc trading as Sainsbury's Bank to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Miss W along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Sainsbury's Bank should also remove all adverse information regarding this account from Miss W's credit file.
- Or, if after the rework there is still an outstanding balance, Sainsbury's Bank should arrange an affordable repayment plan with Miss W for the remaining amount. Once Miss W has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

If the debt has been sold to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Sainsbury's Bank to deduct tax from any award of interest. It must give Miss W a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 27 October 2025.

Marco Manente
Ombudsman