

The complaint

Mr M complains that National Westminster Bank Public Limited Company (Sainsbury's Bank) lent irresponsibly when it approved his credit card application.

What happened

Mr M applied for a Sainsbury's Bank credit card in December 2022. In his application, Mr M gave an annual income of £31,541 that Sainsbury's Bank verified via a service provided by a credit reference agency. Mr M also said he had additional income of £9,872 that wasn't verified. Sainsbury's Bank has explained it used 50% of Mr M's additional income in the application. Sainsbury's Bank used a net monthly income of £2,926.

A credit search was completed that found Mr M had existing debt totalling £14,450, including a new loan for £10,000 that was opened in October 2022. No adverse credit, defaults, payday loans or recent missed payments were noted on Mr M's credit file.

An affordability assessment was completed using Mr M's income, mortgage payment of £548 a month, credit commitments of £581 and an estimate of general living expenses. Sainsbury's Bank reached the view Mr M had a disposable income of around £427 a month. Sainsbury's Bank approved Mr M's application and issued a credit card with a limit of £10,000.

More recently, Mr M complained that Sainsbury's Bank lent irresponsibly and it issued a final response. Sainsbury's Bank said it had completed the relevant lending checks before approving Mr M's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr M's complaint. They weren't persuaded Sainsbury's Bank completed proportionate checks before approving Mr M's application. The investigator looked at Mr M's bank statements for the months before his application to get a clearer picture of his circumstances. The investigator thought Mr M's bank statements showed he was able to sustainably afford a new credit card with a limit of £10,000. The investigator wasn't persuaded better checks would've prevented Sainsbury's Bank from approving Mr M's application and didn't agree it lent irresponsibly. Mr M asked to appeal, so his complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Sainsbury's Bank had to complete reasonable and proportionate checks to ensure Mr M 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 Sainsbury's Bank used when considering Mr M's application above. I think the investigator reached a reasonable view when they said Sainsbury's Bank's lending checks ought to have taken a more detailed approach. I note not all of Mr M's income was verified. And Mr M took out a new loan of £10,000 in October 2022 which meant he was actively borrowing in the preceding months. In addition, the credit limit of £10,000 was reasonably high. Taking all the available information together, I haven't been persuaded Sainsbury's Bank completed proportionate checks.

There were a range of options available to Sainsbury's Bank in order to take a more detailed approach to the application. One would've been to review Mr M's bank statements to get a clearer picture of his circumstances. That's the approach I've taken.

I found Mr M's average income, made up of his employed pay, child benefit and contributions towards bills from his wife came to an average of £2,891 a month. I looked at outgoings for items like Mr M's mortgage, existing debts, utilities, council tax, fuel, transport, insurances, supermarket spending and communications. I found Mr M's regular outgoings came to around £2,000 a month. I think it's reasonable to say Mr M's bank account was well administered with no obvious signs he was struggling.

I can see Mr M took a loan in October 2022 and used a substantial amount of the funds to repay other credit card debt. I've taken the new monthly payment into account in the assessment completed. Whilst I can see Mr M had recently taken a new loan, I think it's fair to say that he was using it to consolidate his other debts with the presumed aim of saving money each month.

In my view, Mr M's bank statements show he had capacity to sustainably afford a new credit card with a limit of £10,000. Even accepting that Sainsbury's Bank's lending checks could've gone further, I think it's most likely a more detailed approach would've still led it to approve Mr M's application and issued a credit card with a limit of £10,000. I'm sorry to disappoint Mr M but I haven't been persuaded that Sainsbury's Bank lent irresponsibly.

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, for the reasons I've already given, I don't think Sainsbury's Bank lent irresponsibly to Mr M or otherwise treated him 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.

My final decision

My decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 April 2026.

Marco Manente
Ombudsman