

The complaint

Mr L complains that Sainsbury's Bank Plc was irresponsible in its lending to him. He wants all interest on his loans refunded as well as a gesture of goodwill to reflect the impact this has had on him.

What happened

Mr L was provided with two loans by Sainsbury's Bank, the details of which are set out below.

Loan	Date	Amount	Term	Monthly repayments
1	April 2023	£10,000	36 months	£345.90
2	May 2023	£17,000	48 months	£456.79

Mr L said that adequate checks weren't undertaken before the loans were provided. He said the loans were unaffordable and have caused him significant financial hardship and he has needed to borrow against his home to regain control of his finances.

Sainsbury's Bank said that before the April 2023 loan was provided it carried out a credit search and Mr L met its criteria, so his application was accepted. After the initial loan application Mr L made an application for additional borrowing in May 2023. This application was declined and Mr L contacted Sainsbury's Bank to appeal this decision. Mr L's appeal was reviewed by the underwriting team, and the additional borrowing was approved on the basis that Mr L cleared an existing loan and that his payments for a holiday were almost complete. Sainsbury's Bank said it reviewed its lending decision following Mr L's complaint including looking at his bank statements, but this didn't change its position that the loans were affordable.

Mr L referred his complaint to this service.

Our investigator thought the checks carried out before the first loan was given were proportionate and based on these, she didn't think that Sainsbury's Bank had made an unfair lending decision.

Our investigator noted that Mr L's second loan decision was approved after an appeal and manual underwriting. She thought the checks carried out were proportionate and based on the information received through these she thought the loan was affordable.

Mr L didn't accept our investigator's view. He said that had copies of his bank statements been requested, it would have been seen that he had several ongoing financial commitments which hadn't been included in the income assessment. He also said that his income assessment was flawed as he received a basic salary of £25,000 and then bonus payments which were variable and not guaranteed. He said the checks weren't reasonable

and had they been, the loan would have been seen to not be affordable.

Our investigator considered Mr L's comments but as these didn't change her view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint. I explained I didn't intend to uphold this complaint – the same outcome as our investigator reached – but as I had included additional reasoning, I was issuing a provisional decision to allow the parties the opportunity to provide any final comments before my final decision was issued.

The contents of my provisional decision are set out below.

Mr L was provided with two loans by Sainsbury's Bank. I have considered each lending decision below.

Loan one: April 2023

Mr L was provided with a £10,000 loan. As part of this application, information was gathered about his employment, income, dependents, housing costs and the purpose of the loan. Mr L declared that he was employed with no dependents and £650 mortgage costs. The purpose of the loan was to repay other debts with another lender. Mr L's annual income was reduced from £65,000 to £47,450 based on the income verification giving a monthly net income of around £3,024. A credit check was carried out which showed he had around £3,550 of unsecured debts and no missed/late payments, defaults or county court judgements. The credit check results were used to assess his payments for existing credit and third-party data was used to assess his other monthly expenditure. Based on this Mr L's disposable income was calculated to be around £1,513.

Loan one was for a reasonably large amount of money, and I note the repayments due of around £345 a month. But as Mr L's declared income was verified and noting the repayments compared to this and the results of his credit check, I think the checks carried out were proportionate.

However, just because I think reasonable checks were undertaken, it doesn't necessarily mean that I think the loan should have been given. To assess that I have considered the outcome of the checks to see if these raised concerns that meant further information should have been gathered or the loan not provided.

Mr L's income was verified and a monthly net income of £3,024 was identified. I note the comment Mr L has made about his income consisting of a lower basic income and variable bonuses but given that the income was verified and a number used lower than the amount he declared, I think it reasonable that Sainsbury's Bank relied on this in its assessment. Mr L's credit check showed his existing debt repayments to be £99 and his outstanding unsecured debts as £3,550. The purpose of the loan was debt consolidation, and so Mr L would have been able to repay his existing debts with this loan, but I note this would have added additional borrowing. However, even if the borrowing was all considered new lending, I still think it reasonable that the loan was considered affordable. I say this because Mr L was left with disposable income of around £1,513 after his mortgage, credit and other costs to cover the loan repayments and any other expenses. Based on the loan one repayments being around £345, I do not find that this should have raised concerns about the affordability of the loan.

Loan two: May 2023

Mr L applied for a second loan a month after the first. I think it right that this wasn't automatically accepted and that a manual underwriting exercise took place when Mr L appealed the decline decision. This second loan was for £17,000 and repaid the first loan. Mr L was required to make 48 monthly repayments of around £457.

As a manual underwriting took place, I have looked at the information gained to assess whether, based on this, it was reasonable to provide the second loan. I requested a recording of the underwriting call but this hasn't been provided. However, notes from the call have been given and so I have considered these.

On the underwriting call, Mr L explained that his reason for the additional borrowing was for additional costs on his home renovation that he wasn't aware of when he applied for the previous loan. Mr L was recorded as saying that his basic income was £65,000 and that he did receive bonuses, but these hadn't been included. He also said that he had nearly finished making his repayments for his holiday. Based on the information provided, Sainsbury's Bank noted Mr L's net monthly income as around £3,896, (it appears that for the initial assessment the lower income figure noted above was used). Mr L's mortgage repayments were recorded as £657 and his payments for his existing credit commitments as around £134. Deducting these costs and the loan two repayments from Mr L's income would have left Mr L with sufficient disposable income to meet his ongoing costs.

While I accept that based on the above figures, loan two appeared affordable, given Mr L had requested this second loan a month after his first application and he noted he was repaying other debts with the first loan which could suggest a potential cycle of debt, I think that it would have been proportionate to have verified Mr L's income and expenses before providing this loan and to have carried out a new credit check to identify if Mr L had taken on any other debt in the recent period. I have asked for further details of the underwriting process but these haven't been provided. I have therefore looked at Mr L's banks statements for the three months leading up to loan two being provided (February, March and April 2023) to see what further questions at that time would likely have identified.

Having looked through Mr L's bank statements, these show his income to be less than the amount used in the affordability calculation and to vary. Mr L has explained that his salary included his basic pay of £25,000 a year plus commission. He has provided a copy of his contract dated July 2019 which included the £25,000 basic salary figure and that he would be paid monthly commissions calculated on the commission scheme applying at the time. This is different to the information gained in the underwriting call (where it was noted Mr L said his income was £65,000 not including bonuses) but as I haven't listened to this call, I cannot say whether a misunderstanding arose or misinformation was provided. Either way, I think further verification was needed.

Taking only Mr L's basic salary into account, would give a net monthly income of around £1,770. However, his bank statements show a higher figure than this in each of the months I have considered. Sainsbury's Bank was able to verify a monthly net income of around £3,024, for Mr L's application for the first loan. Given the previously verified income, and that Mr L had declared a much higher income figure in both of his applications and in the underwriting call, I think, on balance, that had Mr L been asked further about his income it is likely he would have said he earned above the basic salary on a regular basis.

Having looked through Mr L's bank statements for the three months leading up to the loan application, he received monthly income of around £2,968 in February 2023, £2,043 in March 2023 and £3,211 in April 2023. Given the variability of the income, I think it would have been reasonable to consider the average income figure for the three months for the

affordability calculation, being around £2,740. However, I would also want to see that Mr L's disposable income calculation showed a reasonable margin to cover the months when his income may be lower.

Mr L's expenses were noted by Sainsbury's Bank to be £657 for his mortgage, £593 for his monthly expenses and £141 for existing credit commitments. Having looked through Mr L's bank statements, these support the mortgage payment but show additional payments for existing creditors. Mr L has listed several commitments in his submission, but I note from the underwriting notes he said he had almost completed the repayments to the holiday company and had repaid another of his loans (this repayment is identifiable in his statements). This second Sainsbury's Bank loan was used to repay the first. Based on this, Mr L's existing unsecured non-revolving credit costs were around £342 a month. Adding the payments due on this Sainsbury's Bank loan would increase this to around £799.

Mr L's bank statements show him making large repayments towards his credit cards and he has said he also transferred just under £200 to his partner for her credit cards. While I have considered this, Mr L had said he would use his first Sainsbury's Bank loan for debt consolidation and so it isn't unexpected to see him making large payments to his credit cards, and while I note his comment about transferring money to his partner, I haven't seen a regular amount for this in his statements and, on balance, I do not think this would likely have been identified through further checks. So, in regard to Mr L's revolving credit costs, I think it reasonable to base the repayment figure on the revolving credit balance of £675 that was identified in the credit checks. Including this with his other credit commitments would give total credit costs including this loan of around £833 a month. Based on Mr L's monthly income, I do not find this suggested that this lending would cause him to be overindebted.

Sainsbury's Bank based Mr L's monthly expenditure figure on third party estimates and included an amount of around £593. Having looked through Mr L's account statements, I can see payments for costs such as council tax and insurances as well as general living costs (such as food and fuel). The average of these was in line with the figure Sainsbury's Bank had used. Additional to the costs identifiable in Mr L's bank statement's Mr L has said he was also paying around £159 a month for mobile phone contracts. While I do not find that these costs would have been identified through Mr L's bank statements, I think it likely that had he been asked about his costs he would have included mobile phone costs and so I have added this amount to the calculation, bringing Mr L's regular costs to around £752.

Deducting from Mr L's average net monthly income figure of £2,740, his mortgage (£657), credit commitments including this loan (£833) and other costs (£752) would leave around £498 for any additional or unforeseen costs. I think this is a reasonable amount to cover any additional costs and to reflect the variability in Mr L's income. I note Mr L's comments about his use of his overdraft, but this doesn't necessarily preclude lending being given, and I can see that Mr L was regularly clearing his overdraft. I also note that Sainsbury's Bank did initially decline this loan application, but Mr L appealed the decision, which may suggest he believed he could show the loan to be affordable.

In conclusion, while I know this will be disappointing for Mr L, I do not find I can uphold this complaint.

I've also considered whether Sainsbury's Bank acted unfairly or unreasonably in some other way given what Mr L has complained about, including whether its relationship with Mr L might have been viewed as unfair by a court 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 L 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.

Mr L didn't accept my provisional decision. He didn't think that he had been treated fairly.

Sainsbury's Bank accepted my provisional decision and provided further evidence in response to the questions we had asked before the provisional decision was issued.

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 am sorry that Mr L doesn't feel that he has been treated fairly and I would like to reassure him that I consider all complaints based on their individual merits and that while I take all relevant rules, regulations and guidance into account, my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint.

As Sainsbury's Bank provided additional information as part of its response to my provisional decision, I have considered this alongside my initial findings. The additional information included further confirmation that both of Mr L's applications were subject to income verification. It explained that this process is conducted through the use of a credit reference agency tool and depending on this the declared income maybe reduced. It said that based on the income verification, Mr L's income for his first application was reduced and in regard to the second application a manual review by its underwriters took place which was able to verify Mr L's declared income.

Sainsbury's Bank provided a copy of the March 2023 payslip and bank statements Mr L provided. Mr L's payslip recorded his gross annual income as £64,500. This is in line with the income figure he declared. The bank statements provided included those that Mr L had submitted and I relied on in my provisional decision.

Having considered the new information supplied, I do not find this changes the conclusions I set out in my provisional decision. As I previously explained, I think the checks carried out before the first loan was given were proportionate and so it was reasonable that Sainsbury's Bank relied on the information received through these. As these suggested the loan to be affordable and the credit check didn't raise concerns, I do not think that Sainsbury's Bank was wrong to provide this loan.

As I noted in my provisional decision, I think that further verification was needed before the second loan was given. However, based on what I have seen, I do not find I can say that had this happened then the loan would have been identified as unaffordable. As I previously explained, based on Mr L's bank statements, I think further checks would have identified additional credit commitments which would bring Mr L's total credit commitments (including this Sainsbury's Bank loan) to around £833 a month. The checks would have identified his general living costs to be around £752 (including the amounts he said he paid for mobile phones) and his mortgage costs as around £657. This gives total costs of around £2,242.

In my provisional decision I addressed the point that Mr L had made about his income consisting of a basic salary and bonuses. Because of this I used his average income for the three months leading up to the loan being provided. I think this is a fair approach. However, I note that Mr L's payslip from March 2023, supported Mr L's declared income figure and had I used this in my assessment Mr L's monthly income would have been higher. So, while I appreciate that Mr L's income was made up of a basic salary and additional bonus payments that would vary, in this case I think the approach set out in my provisional decision is reasonable and as this suggested the loan to be affordable, I do not find I can say this loan shouldn't have been provided.

I understand this isn't the outcome Mr L wants but in this case, for the reasons set out in my provisional decision and above, I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 March 2026.

Jane Archer
Ombudsman