

complaint

Mrs B complains that Sainsbury's Bank Plc shouldn't have accepted her loan application as she was in a hypomanic state at the time. She also thinks that the default on her credit file in relation to this should be removed.

background

Mrs B has a history of mental illness. She is Bi-polar and suffers from Asperger's Syndrome and depression. In 2014 she took out a £10,000 loan with Sainsbury's Bank. Mrs B didn't make the payments in line with her loan agreement and Sainsbury's Bank later defaulted the loan.

Mrs B complained to Sainsbury's Bank towards the end of 2014. She said that she was in a hypomanic state when she took out the loan and that they shouldn't have agreed to lend her the money. Sainsbury's Bank looked into her complaint and thought they'd acted correctly. But they did say that due to Mrs B's circumstances they wouldn't pursue her for the outstanding loan.

Although more than six months has passed since Sainsbury's Bank gave their final response, they've consented to us looking into the complaint.

Sainsbury's Bank put a default marker on Mrs B's credit file to reflect what had happened. Mrs B contacted our service, saying the default marker had been unfairly applied. Our investigator looked into both parts of her complaint and concluded that Sainsbury's Bank had acted fairly in the circumstances. So she didn't think they needed to do any more.

Mrs B didn't accept this, so her complaint has come to me for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I agree that Sainsbury's Bank have done all they should, so I won't be asking them to take any further action. I know Mrs B will be very upset by this, so I'd like to explain my reasons.

should Sainsbury's Bank have declined Mrs B's loan application?

Mrs B applied for her loan over the phone. She says she told them about her mental health problems during the call. Sainsbury's Bank don't have call recordings because of how long ago this happened. But I have no reason to doubt that her mental health was discussed as Mrs B describes.

Mrs B thinks that due to her mental health problems her loan application should've been turned down. I'm not convinced that's correct. We would expect a business to take account of all of a customer's circumstances. Suffering from mental illness isn't in itself a reason to reject a loan application.

Mrs B raises the point that around the same time as this application she applied for further amounts of credit elsewhere. She thinks this should have alerted Sainsbury's Bank that there might be problems with her ability to repay.

Sainsbury's Bank explained that at that time the records of the credit searches were updated monthly. And as such they wouldn't have known about the other applications and wouldn't have been able to take them into account.

Mrs B says that she didn't have the mental capacity to enter into a loan agreement. Having seen the evidence from Mrs B's doctor it's clear she was suffering from mental health problems around the time she took the loan. But on balance I'm not convinced Sainsbury's Bank could've known the impact this would have on her spending at the time she took the borrowing.

I've seen evidence that Sainsbury's Bank conducted checks to assess Mrs B's ability to repay. Ultimately it's their decision whether or not they are prepared to lend and on what terms. This isn't something we'd usually interfere with unless there was evidence of unfairness. I haven't seen anything which leads me to think Sainsbury's Bank did something wrong in making the decision they did

From the evidence I've seen I'm satisfied that Sainsbury's Bank took enough care to assess Mrs B's loan application and I don't think they were irresponsible in deciding to lend.

should the default marker be removed?

Mrs B says that as she was ill when she took out the loan then the default wasn't her fault and the marker should be removed. I have sympathy for Mrs B's situation but I don't agree.

The evidence I've seen shows that Mrs B was behind on her loan payments. I've also seen the letters Sainsbury's Bank sent explaining her account was in default and what that meant.

As the account was in default and that was communicated to Mrs B, I don't think the marker was unfairly applied. I realise the default may be causing her difficulties. But banks should accurately report the status of an account. Taking all of this into consideration, I won't be asking Sainsbury's Bank to remove the default marker.

I realise that Mrs B says she needs access to more credit for urgent home repairs. Our investigator gave her details of charities that may be able to help and I urge Mrs B to get in contact with them.

summary

In situations like this we expect a business to treat a customer positively and sympathetically. Based on the evidence I've seen I'm satisfied that Sainsbury's Bank are doing this. They have even gone so far as to say they will not pursue Mrs B for her outstanding debt.

The default marker was correctly applied to her credit file and accurately reflects the position of her loan. Taking everything into consideration I don't think Mrs B has been treated unfairly by Sainsbury's Bank in all the circumstances.

my final decision

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 22 February 2018.

Richard Annandale
ombudsman