

The complaint

Mr R complains that Sainsbury's Bank Plc ("Sainsbury's") lent to him irresponsibly when it gave him a loan that he says he couldn't afford.

What happened

Mr R took out an unsecured loan for £14,000 with Sainsbury's in June 2022. He told Sainsbury's he wanted to buy a motorcycle, but he has since said that he had gambled excessively and needed the money to pay off those debts.

Mr R says that Sainsbury's failed to conduct sufficient checks on his individual financial position. He thinks Sainsbury's was negligent in allowing him to take the loan. He asks that Sainsbury's remove any interest and remove the loan from his credit file.

Our investigator didn't think Mr R's complaint should be upheld. Mr R disagreed.

Our investigator reviewed the further points Mr R made but concluded it didn't make a difference to their view. As Mr R didn't agree with the investigator's view 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Mr R's complaint.

Having done so, I have come to the same conclusion as that of our investigator. I will explain why I have reached this decision.

Sainsbury's needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr R could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr R's income and expenditure.

Certain factors might point to the fact that Sainsbury's should fairly and reasonably have done more to establish that any lending was sustainable for Mr R. These factors include things like understanding Mr R's income, the total amount Mr R borrowed, and the length of time Mr R had been indebted. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable. In Mr R's case, he told Sainsbury's that he earned £35,000 a year. Sainsbury's also did credit checks. These didn't reveal any financial difficulties – Mr R had no arrears, no CCJs or

other defaults on his credit history. The checks showed that Mr had total unsecured debt elsewhere of £2,250. Sainsbury's used Office of National Statistics data to calculate Mr R's outgoings and these indicated Mr R had over £880 of disposable income each month. It seemed that Mr R had ample disposable income to be able to sustainably repay the loan at a rate of £306 a month.

Mr R says that he had very recently taken out two credit cards and he had used these to gamble excessively. He says if Sainsbury's had asked for his bank statements it would have realised he couldn't afford the loan. But I don't think Sainsbury's needed to do this. Mr R's credit file was not showing that he was excessively indebted (it may be that the spending on the credit cards had not yet been reported to credit reference agencies). I think that Sainsbury's should fairly have been able to rely on what Mr R told it about his intentions for the loan. If Mr R had told Sainsbury's that he was borrowing to pay off gambling debts rather than to buy a motorcycle then I consider it likely Sainsbury's would have done further checks or declined the loan. But based on the information it had, both from Mr R himself and external sources, I think Sainsbury's conducted proportionate and appropriate checks and that it did not act unfairly in providing the credit to Mr R.

In conclusion, I do not think Sainsbury's acted unfairly or unreasonably when it lent to Mr R and so I do not think Mr R lost out as a result of anything Sainsbury's did wrong. It follows that I do not think Sainsbury's needs to do anything further.

My final decision

I do not uphold Mr R's complaint which means Sainsbury's Bank Plc does not need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 January 2023.

Sally Allbeury
Ombudsman