

## The complaint

Miss D complains that Sainsbury's Bank Plc lent to her irresponsibly.

## What happened

On 7 January 2020, Miss D applied for and received a credit card with Sainsbury's. The bank initially gave her a credit limit of £2,000 and subsequently increased it as follows:

Date	Increase	New Credit Limit
19 March 2021	£800	£2,800
17 December 2021	£800	£3,600
30 August 2022	£600	£4,200

Miss D complained to Sainsbury's saying it had failed to carry out proper checks before opening her account and increasing her limit.

Sainsbury's looked into Miss D's complaint and rejected it. Sainsbury's said it had carried out its usual checks including a credit search, and she'd met its criteria so it accepted her application. In line with the terms and conditions of the account, Sainsbury's reviewed Miss D's account performance and credit file to review her limit. Again, she met its criteria for increases at the time, so it offered them. Overall, it felt it had lent to Miss D responsibly.

Miss D didn't agree with Sainsbury's, so she referred her complaint to our service. One of our investigators looked into it. He noted that Miss D had declared her income as £19,000 a year – around £1,400 per month. He saw she had other unsecured debt totalling £2,475 with other providers when she applied for the account. In view of that and the size of the limit offered, our investigator felt Sainsbury's ought to have done more to verify Miss D's income rather than relying on her declaration and the data from a credit reference agency.

Our investigator said that Sainsbury's ought to have conducted further checks by asking to see Miss D's bank statements. If it had done so, he said it would have seen that she didn't receive an income from an employer into her account at the time and only received income from her partner. He felt the bank relied on savings Miss D had with it (totalling between £6,000 and £11,000 over the period this complaint covers) rather than verifying her income.

Our investigator said Sainsbury's had lent to Miss D irresponsibly and explained how he felt how matters should be put right. Miss D accepted what our investigator said but Sainsbury's didn't. As there was no agreement, the complaint has been passed to me for 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.

Having done so, I've reached a different conclusion from that of our investigator. I issued a provisional decision saying:

*"We've set out our approach to complaints about irresponsible lending on our website –*

*including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.*

*Sainsbury's needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Miss D irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:*

- *Did Sainsbury's carry out reasonable and proportionate checks to satisfy itself that Miss D was in a position to sustainably repay the credit?*
  - *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Sainsbury's make fair lending decisions?*
- *Did Sainsbury's act unfairly or unreasonably towards Miss D in some other way?*

*It's not about Sainsbury's assessing the likelihood of the credit being repaid, but it had to consider the impact of the repayments on Miss D. There is no set list of checks that it had to do, but it could take into account several different things such as the amount of credit, the monthly repayments and the overall circumstances of the borrower.*

*Did Sainsbury's carry out reasonable and proportionate checks? Did it make fair lending decisions?*

*Opening of the account with a limit of £2,000*

*Miss D applied for the credit card and told Sainsbury's she had an annual income of £19,000 and was living with her partner. Her credit file showed she was up to date with her existing credit which totalled £2,475 and no defaults or County Court Judgments. Sainsbury's calculated Miss D's monthly income as £1,400 and deducted the housing costs she's declared (£240) and the cost of servicing the other debt. It then used statistics provided by the Office of National Statistics (ONS) to calculate her other essential expenditure. Overall it calculated Miss D had a monthly disposable income of £658.*

*Given the above information, Sainsbury's tells us it would ordinarily have been happy to agree a higher limit than the £2,000. But it noted she had little existing credit, so wanted to see how she managed the account.*

*I think the information Miss D gave and that Sainsbury's gathered through its checks won't have caused it any particular concerns. I think it made a fair decision to open the account in the circumstances, and I note what it said about the level of limit it agreed initially.*

*Limit increases*

*Miss D's account was well run. She paid comfortably more than the minimum payment each month with substantial repayments made regularly and sometimes repaid the balance in full. Sainsbury's checked Miss D's credit file ahead of offering the credit limit increases. It noted that her external credit was well run – in line with what it had seen with its own account. In light of this it had been prepared to offer the increases set out above.*

*I've seen nothing from the checks Sainsbury's carried out that lead me to think it ought to have done more to check her circumstances. From what it could see, Miss D was using her account well and paying very little interest. Her credit file showed she was managing her external credit well too. I think the checks carried out were reasonable and proportionate and Sainsbury's reached a fair decision to lend to Miss D.*

*Did Sainsbury's act unfairly or unreasonably towards Miss D in some other way?*

*I can see that Miss D missed a payment in December 2022 – a few months after Sainsbury’s had agreed to increase her credit limit to £4,200 at her request. Miss D managed to bring the account back up to date quickly and Sainsbury’s refunded a few charges and suspended interest for a short time. Subsequently Miss D repaid the entire balance and closed the account. I’ve seen nothing to suggest Sainsbury’s treated Miss D unfairly.”*

Sainsbury’s didn’t respond to my provisional decision, but Miss D rejected it. In summary she said:

- she was on sick leave from February 2021 for 18 months, so didn’t have any disposable income,
- she lived in her overdraft for that period,
- the money in her savings account wasn’t hers, but her mothers, and
- she was not aware of being offered limit increases.

I’ve thought carefully about what Miss D has said. I’m sorry to disappoint her, but her comments don’t lead me to change my mind.

Sainsbury’s accepted Miss D’s application for the opening of the account based on what she told it at the time. At that point in time, it appears she was working and had very little credit. The credit she did have was well run.

Once the account was up and running, Sainsbury’s had no reason to suspect her circumstances had changed or that she was struggling financially based on her account activity. And before offering her the limit increases, Sainsbury’s checked Miss D’s credit file. Again there was no sign of any difficulties that I think ought to have made it conduct further checks.

I note what Miss D says about the money she held in a saving account with Sainsbury’s. I think it would be reasonable for the bank to assume money in a savings account in her name belonged to her. But in any event, the bank didn’t base its lending decisions on those savings and relied on the evidence I’ve set out above to do so.

I’ve seen copies of the letters sent to Miss D at the time of the increases. They clearly set out how she could refuse them and she could opt out of future increases.

Nothing I’ve seen leads me to think Sainsbury’s reached an unfair decision to lend to Miss D based on the information it held and ought reasonably to have been aware of at the time. And I’ve seen nothing to suggest that Section 140A of the Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss D to accept or reject my decision before 6 August 2024.

Richard Hale  
**Ombudsman**