

The complaint

Miss S complains that Sainsbury's Bank Plc didn't consider that a loan account she held with it was eligible for a medical write-off.

What happened

In December 2021 Miss S entered into a five-year personal loan with Sainsbury's Bank. The repayments were ££229.38 per month which Miss S paid via direct debit.

Miss S has longstanding mental health conditions which can fluctuate. She receives support from secondary mental health services. She also has some physical health issues and has in the past required an operation. Miss S's health does impact, at times, on her financial circumstances.

Miss S's loan account was up to date with the repayments until April 2022, but the arrears that accrued at that time were quickly cleared by her. Miss S struggled again with making the repayments in or around October 2023. Miss S contacted Sainsbury's Bank and explained about her health. She applied for the loan to be medically written off and the interest to be reimbursed. Miss S also sent Sainsbury's Bank medical evidence to support her application.

Sainsbury's Bank reviewed Miss S's application and decided to decline it. It asked Miss S to complete an income and expenses form and suggested various third-party debt assistance organisations that she could approach for assistance.

Miss S disagreed with Sainsbury's Bank's decision not to write-off the loan and reimburse her the interest and made a complaint to this service.

Sainsbury's Bank says that Miss S had declined to communicate with its Collections Team until this complaint process had been concluded. However, following her later completing the income and expenses form this revealed a negative disposable income, in April 2024 Sainsbury's Bank decided to default the account. As Miss S has been recognised as a vulnerable customer, Sainsbury's Bank says this account wouldn't be passed on to a third-party company for collection and will remain in-house.

Our investigator recommended that Miss S's complaint should be upheld as he said he didn't think Sainsbury's Bank had offered sufficient support to Miss S though he said he agreed it hadn't been obliged to write off the loan and reimburse her the interest as she had requested.

Our investigator said moving forward, Sainsbury Bank needed to confirm that it will follow the Good Practice and Awareness Guidelines issued by the Money Advice Liaison Group in relation to Mental Health and Debt Guidelines.

Our investigator said Sainsbury's Bank needed to liaise further with Miss S to obtain information regarding why the loan had been taken and should use forbearance when dealing with the account. He said that Miss S should also co-operate with Sainsbury Bank if it requests further information from her.

Miss S said she agreed with our investigator's view, but Sainsbury's Bank said it disagreed. Sainsbury's Bank said that it had acted with forbearance as it recognised Miss S was a vulnerable customer. It said that as the default had been applied, interest was therefore no longer being applied to the outstanding balance. Sainsbury's Bank also said that Miss S's complaint had been about its decision not to write-off the loan which the investigator had accepted was a decision it could make. It said Miss S hadn't raised any issue about the support offered to her and she had declined to speak with it, so there was nothing it could have put in place in any event. It asked that this complaint be looked at again.

I issued a provisional decision along the following lines.

Looking at Miss S's complaint, it only concerned the decision of Sainsbury's Bank not to write-off the loan and reimburse her the interest. I was a little concerned that Miss S might have misunderstood our investigator's view when he had recommended her complaint was upheld. He hadn't recommended that she received any redress from Sainsbury's Bank, he'd asked only that it handled her account carefully and sensitively. He hadn't asked that the loan account was written-off and the interest Miss S had paid be reimbursed.

And while I appreciated our investigator had recommended questions were asked as to the purpose of the loan, I'd also seen that Miss S hadn't raised any issues that the loan had been unaffordable for her at the time she had taken it and she hadn't said it had been irresponsibly lent to her. Miss S had been able to make regular payments up to October 2023 when, unfortunately, she had experienced a deterioration in her health conditions.

I'd also seen that the medical information Miss S had provided to Sainsbury's Bank hadn't suggested that affordability would have necessarily been an issue at the time the loan had been taken by her. I didn't think it was reasonable to criticise Sainsbury's Bank for not seeking out information as to the purpose of the loan when Miss S had asked for it to be written-off.

I appreciated Miss S had been disappointed that the loan hadn't been written off and the interest repaid to her. It wasn't disputed that she has enduring and significant health problems, but I couldn't reasonably say that in these circumstances Sainsbury's Bank had been obliged to take that action. Sainsbury's Bank had considered the evidence and had been entitled to make the decision that it had. I wasn't going to ask it to review that.

Although Miss S hadn't raised concern about a lack of support, looking at Sainsbury's Bank's actions I didn't think it had acted unfairly. It hadn't been aware of Miss S's health issues until April 2024 and has accepted her vulnerability as a result. I disagreed with our investigator's view that in these circumstances it should have done more. Miss S hadn't been wishing to engage with Sainsbury's Bank until her complaint about the failure to write-off the account had been looked at. And I could understand why Miss S had asked for that approach, but it had meant that Sainsbury's Bank hadn't been in a position where it could do more than it had.

Sainsbury's Bank has agreed with my provisional view and Miss S hasn't asked me to look again at anything.

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.

Although neither party has asked me to review any parts of my provisional decision I have looked again at the evidence and the decision I have reached. I haven't changed my mind.

I'm still satisfied that Sainsbury's Bank didn't act unfairly or unreasonably in its handling of Miss S's account.

Sainsbury's Bank wasn't obliged to write-off Miss S's loan and reimburse the interest and fees it had charged when she asked it to because of her health. And once alerted to Miss S's vulnerability, Sainsbury's Bank has taken steps to support her. Miss S and Sainsbury's Bank will now need to engage with each other as the account has now been defaulted.

For the reasons set out above I'm not upholding Miss S's complaint.

My final decision

As set out above, I'm not upholding Miss S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 19 December 2024.

Jocelyn Griffith
Ombudsman