

The complaint

C, a third party acting on behalf of Mrs G, complains that Tesco Personal Finance PLC (TPF) were irresponsible in providing her with a credit card when she applied for one. C also complains that the credit agreement contains unfair terms and that TPF disproportionately added costs, fees and charges.

To resolve the matter, Mrs G would like a full write-off of the balance on the card.

What happened

On 20 October 2014 Mrs G applied online for a TPF credit card. The card was approved and opened the same day with a credit limit of £1,400. According to TPF records, Mrs G maintained the account without significant issues. However, in August 2018 her credit card went into arrears. On 9 October 2019 TPF agreed a repayment plan of £1.54 per month with Mrs G. Due to the length of the arrangement the account was eventually transferred to their recoveries team and the account defaulted. In November 2019 C complained to TPF. The complaint comprised mainly of two parts:

- As Mrs G was in financial difficulties at the time of entering into the credit agreement, TPF was irresponsible in lending her the credit.
- The terms applied to Mrs G's credit card were unfair, mainly because they allowed disproportionate fees and interest to be added to the account whilst she was experiencing financial difficulties

On 9 December 2019 TPF sent their final response to Mrs G's complaint. They didn't uphold her complaint. TPF believed they carried out the necessary affordability checks prior to approving the credit card; and applied the terms that were appropriate. Unhappy with the outcome, Mrs G instructed C to bring her complaint to us here. One of our investigators reviewed her concerns concluding that TPF did act fairly in their lending. The investigator didn't uphold Mrs G's complaint. Mrs G has instructed her representative to request that an ombudsman look into her concerns in order to provide their final decision on the matter. In addition, C has provided us with a letter from a debt management company, confirming that Mr and Mrs G were in a debt management plan from April 2007 until July 2019. They also provided us with Mr and Mrs G's mortgage statements, which showed that they were experiencing mortgage arrears when the TPF card was taken out.

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.

This complaint has two main parts: TPF's irresponsible lending and the unfair terms applied to the account. I'll address each part separately.

irresponsible lending

The Consumer Credit Sourcebook (CONC), which can be found within the Financial Conduct Authority (FCA) handbook, explained in 2014 that a business must carry out a

creditworthiness assessment before a credit agreement is entered into with a consumer. A creditworthiness assessment involves a review of a consumer's credit history, the consumer's ability to afford any new repayments, their ability to maintain future repayments and any impact that the lending may have on them. It went on to say the assessment must be based on enough information taken from:

- *the customer, where appropriate; and*
- *a credit reference agency, where necessary*

According to TPF records at the time of application, information from Mrs G and from credit agencies were used to conduct the creditworthiness and affordability assessments. The credit report I've seen showed that at the time of application, Mrs G had additional lending all which TPF found didn't have any default amounts. Although I have seen separate evidence of this, there were no records of a debt management plan on the report. As part of her complaint, Mrs G believes TPF should have recognised the number of credit facilities being applied for at the time, which would have been indicators of her financial difficulties. However, it's clear from the report that many of her credit applications, particularly those resulting in eventual default balances, were taken out after her approval for the credit card with TPF.

In addition, TPF had detected a previous county court judgment (CCJ) which had since been satisfied. They also confirmed that their internal scoring model placed Mrs G's score within 14 points of their acceptance threshold. This meant that her application had been referred to an alternative bureau, for further checks. TPF have confirmed that at the time of application, Mrs G's indebtedness had been assessed. The customer indebtedness index assessment (CII), provides a score that's indicative of the amount of money a customer owes. Typically, a score over 40 indicates that a business should proceed with caution when considering lending to a customer. Mrs G scored 5 during her application which further indicated to TPF that this would be affordable for her.

As this was an online application made some years ago, it's uncertain how much information Mrs G provided, although TPF suggest Mrs G shared income details stating she was in full time employment and receiving a regular income. According to the TPF lending criteria, an assumption of 30% of the net monthly income was used to calculate expenditure.

Considering the above information, it's clear to me that TPF carried out a number of affordability and creditworthiness checks that were proportionate and fair. Looking at the information provided, with Mrs G being in fulltime employment, TPF had no reason to doubt that this would be her circumstances for the foreseeable future. I appreciate the problems faced by Mrs G were made more challenging by her husband being out of work at around the time of this credit application. I've no reason to think TPF was made aware that Mr G had stopped working, or that it had any other cause to ask about his circumstances in the context of a credit application from Mrs G. I'm satisfied TPF acted in line with the guidance in place at the time

unfair terms

When considering the fairness of the terms applied to Mrs G's credit card, I've had to think about whether TPF acted fairly, reasonably and transparently in applying any potential changes; and whether the appropriate notice was given before any changes took place.

The complaint letter specifically refers to the charges, fees and interest incurred on the credit card when raising the concern over unfair terms, so I've looked carefully on these. I've also thought about the fairness of TPF having the ability to vary their terms during the agreement.

Having looked at the original credit agreement alongside the varied agreement, I can't see that any changes have been made that have adversely affected Mrs G. More specifically, in terms of charges, fees and interest, in the original agreement under the heading "Making changes", it stated clearly that TPF can make changes to these. Reasons given for such changes included the consumer's circumstances or usage of the account, changes in law or regulation, and changes in costs to the bank in providing the account. Changes for any other reason could only be made where Mrs G was able to end the agreement without charge. The agreement also said that at least 30 days' notice would be given.

I can see a section on the agreement which clearly pointed out what the charges would be in certain breaches of terms. In addition to the credit agreement, the statements produced for Mrs G each month would have confirmed any interest, charges or fees being applied. These are a common feature on most credit card accounts, and in this case, I can't see that TPF have applied them unfairly. Nor have I seen any persuasive evidence that suggests that the charges in question were disproportionate. Past enquiries we've made of credit card providers in similar cases have shown that a £12 fee is a true reflection of cost, and I've not been given any reason to reach a different conclusion here. Having considered this, I don't think TPF have acted unfairly in this regard.

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 Mrs G to accept or reject my decision before 23 December 2020.

Benjamin John

Ombudsman