

The complaint

Mrs R complains that Tesco Personal Finance PLC trading as Tesco Credit Card irresponsibly allowed her to open a credit card account which was unaffordable.

What happened

Mrs R says she shouldn't have been allowed to open the Tesco credit card account. She says the account was unaffordable and she had a poor credit record. Mrs R would like the charges and interest that were applied to her account refunded.

Tesco says Mrs R applied for the account in 2017 which was approved with a credit limit of £1,400. It says Mrs R told it she was working with an income of about £25,000 and calculated her other debt at £1,700. Tesco says it did carry out appropriate checks and Mrs R easily passed its affordability checks. It says Mrs R made payments until 2019.

Mrs R brought her complaint to us and our investigator upheld the complaint. The investigator thought Mrs R had a recent default some five months before the account was opened and although she hadn't missed payments in the preceding six months that further checks ought to have been carried out. The investigator thought Mrs R may not have told Tesco the correct position about her work status and recommended Tesco refund interest and charges from May 2017.

Tesco doesn't accept that view.

I asked both sides for further information. I asked Mrs R for a copy of her credit report, details of her financial position and if she was working or not as the application said she was.

I asked Tesco for information about the credit score it applied and it has clarified it. It has also told me Mrs R used the account for a number of gambling transactions.

Mrs R hasn't replied to my request.

My provisional decision

I issued a provisional decision and said as follows.

Lenders and credit providers should carry out reasonable and proportionate checks on any loan or credit application. Those checks will of course vary depending on the type and amount of the credit or lending. This was an application for a credit facility rather than for example a mortgage and so I wouldn't have expected Tesco's checks to have been as detailed here, but of course appropriate checks must still be carried out.

I could see from Tesco's records that it looked at Mrs R's credit file and did note the last default. I saw that it confirmed that Mrs R had made the last six months payments on other accounts and carried out affordability checks which were comfortably passed. It also carried out checks on Mrs R's outgoings which showed on the face of it, Mrs R had a significant amount left after expenses. So, I thought Tesco did carry out reasonable and proportionate

checks on the application and that the lending decision was not on the face of it unaffordable or irresponsible.

Mrs R didn't provide her credit report or further details of her financial position. So, I couldn't fairly say what further checks would have revealed in any event. I didn't think Mrs R had clarified her work position or household income amount or explained why the account was unaffordable.

I could see from Tesco's records that Mrs R did make significant payments on a regular basis and thought it likely that the gambling spending rather than other factors led to the financial difficulties some years after the account was opened.

Overall, without seeing the requested information I couldn't see what further checks Tesco could have carried out or what they would have showed. And that on the face of it a relatively modest credit limit of £1,400 was approved which I thought was affordable.

Mrs R hasn't replied to my provisional decision. Tesco has accepted it.

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 have come to the same overall view that I reached in my provisional decision and for the same reasons.

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 Mrs R to accept or reject my decision before 20 April 2022.

David Singh
Ombudsman