

The complaint

Miss C says Tesco Personal Finance PLC irresponsibly lent to her.

What happened

Miss C took out a loan from Tesco for £6,500 over 60 months in April 2018. The monthly repayments were £152.47 and the total repayable was £9,163.20.

Miss C says she had to take out other loans and credit cards to afford this loan which has left her in financial difficulties and impacted her mental health. She had only ever been accepted for a £200 overdraft when she applied had no experience of managing debt.

Our adjudicator did not uphold Miss C's complaint. He said Tesco's checks did not show any reason not to lend to Miss C.

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.

Tesco will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Our approach to complaints about irresponsible lending is set out on our website and I have followed it here.

Before providing the loan to Miss C, Tesco was required to carry out proportionate checks to ensure the lending was affordable. There isn't a specific set of checks that need to take place, but Tesco was required to undertake reasonable and proportionate checks taking into consideration, amongst other things, the value and term of the lending and the borrower's circumstances.

To reach a decision on this case I have therefore considered if Tesco's checks were proportionate; if so, did it make a fair lending decision; and if not, what would better checks most likely have shown.

In this case, before providing the loan, Tesco received information from Miss C about her income, employment status and residential status. It carried out a credit check to understand her credit history and existing credit commitments. It asked about the purpose of the loan which was to purchase a car. It then checked Miss C's bank statements, due to her age and having no real information on her credit file as she had no other debts at the time. I think these checks were proportionate given her circumstances and the nature of the borrowing.

I have therefore looked at the results of the checks to assess whether I think the lending decision was fair.

The credit check showed Miss C had no other debt and no other searches in the last six months. So, I do not find there was anything in this check that ought to have raised concerns

that Miss C was in any way struggling financially at that time. Miss C had declared her income to be £1,000. I can see from her February 2018 bank statement it was £914.09. She was living at home and so her fixed costs were minimal – I can only find a car insurance payment of around £103.19 in terms of regular outgoings. And there were no signs of financial pressure such as the persistent use of an overdraft (indeed there was no use) or payday loans. Taking all this into account I think it was reasonable for Tesco to conclude the loan, with its monthly repayment of £152.47, would be sustainably affordable for Miss C.

So, in the round I think Tesco made a fair lending decision.

I note Miss C struggled to repay the loan. I can see her personal circumstances changed and she has had to deal with some difficult challenges. I am sorry to hear that Miss C's financial position has impacted her mental health.

If there remains an outstanding balance, I would remind Tesco of its obligation to treat Miss C fairly and with forbearance as she works to resolve her financial situation. I can see it rightly signposted organisations that can help and provide free debt advice in its final response letter.

My final decision

I am not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 22 February 2023.

Rebecca Connelley
Ombudsman