

The complaint

Mrs S complains Tesco Personal Finance PLC, trading as Tesco Bank lent to her irresponsibly.

What happened

Mrs S applied for a Tesco Bank credit card online in September 2017. Tesco Bank approved Mrs S' application with a £3,200 credit limit. Mrs S transferred a £1,500 balance on to the credit account at the same time. She spent most of the remaining available credit gambling before making a £3,000 payment to clear the balance the same month. Mrs S continued to use her card mainly for gambling transactions.

Tesco Bank reduced Mrs S' credit limit to £3,050 from July 2018. In August 2021, it agreed a short-term repayment plan. Mrs S approached a debt charity the following month and entered into a debt management plan, at which point Tesco Bank issued a notice of default before terminating the credit agreement in October 2021.

Mrs S complained to Tesco Bank in February 2022. She said that the lender failed to protect her from using her credit card to gamble and that it had lent irresponsibly. Tesco Bank didn't uphold Mrs S' complaint and so she referred the matter here.

Mrs S' complaint was considered by one of this service's investigators and at first, he thought that Tesco Bank had needed to have done more in light of the level of gambling transactions it ought to have seen on the account in question. However, on reflection, the investigator revised his assessment and did not uphold the complaint. He thought Tesco Bank carried out reasonable and proportionate checks before opening Mrs S an account and that these didn't show Mrs S' gambling problem or any other reasons for it not to lend. He also thought Tesco Bank had adequately monitored Mrs S' account thereafter. And he explained that the Gambling Commissions ban on gambling establishments accepting credit card payments from April 2020 did not mean that Tesco Bank had acted irresponsibly.

As the investigator didn't think her complaint should be upheld and Mrs S didn't agree, the matter has been passed to me to make 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.

We've set out our approach to complaints about unaffordable and irresponsible lending on our website. And I've taken this into account in deciding Mrs S' complaint.

Tesco Bank needed to take reasonable steps to ensure that it didn't lend to Mrs S irresponsibly. It should have completed reasonable and proportionate checks to satisfy itself that Mrs S would be able to pay any credit limit in a sustainable way.

Tesco Bank did complete some checks to see if the £3,200 credit limit was affordable, including searching Mrs S' credit file and carrying out an affordability assessment using the income declared when she applied online. Although Tesco Bank didn't validate the income Mrs S declared – for example, by checking her bank account turnover – it was consistent with the other information it gathered from the credit search. Mrs S declared she earned £35,000 a year. Her credit files show she was a homeowner with £84,000 outstanding on her

mortgage and that she owed around £9,000 in unsecured debt. It also noted she had £17,800 in default with the latest default being 37 months ago.

Altogether, I agree with Tesco Bank that there wasn't anything in the information it had which showed that Mrs S could be having problems managing her money. And the amount of credit offered wasn't so great relative to her declared salary that there was an obvious risk to Mrs S of having difficulty repaying it within a reasonable period of time. So I don't think Tesco Bank was irresponsible here when it approved Mrs S' credit card application with a £3,200 credit limit.

I note that Mrs S has brought her complaint about irresponsible lending due to her problem gambling, rather than about affordability. Even a cursory examination of Mrs S' credit card statements shows that she was gambling heavily. Moreover, I think given the degree of the gambling that gambling fits the broad definition of problem gambling – gambling that was disruptive or damaging to her.

However, all this information is from the time after Mrs S took out the credit card. I don't think the information Tesco Bank had available following its checks showed that Mrs S was gambling heavily. So, I cannot reasonably say that Tesco Bank ought reasonably to have been aware that Mrs S was engaging in problem gambling before approving her application, and therefore, as a result it ought not to have lent to her.

Mrs S has referred to the ban on credit card use for gambling that was introduced by the Gambling Commission in April 2020. However, this applies to gambling merchants and relates to them not taking payments for gambling by credit card. It wasn't introduced for banks to adhere to as the Gambling Commission has no regulatory oversight over them. So, the ban in and of itself wasn't a reason for Tesco Bank to stop the transactions Mrs S made.

Overall, I've not been persuaded that there was sufficient reason for Tesco Bank to have blocked these transactions. Mrs S hadn't, for example, contacted Tesco Bank to explain that she needed help to prevent her from gambling. And the transactions were authorised by Mrs S. For these reasons, I won't be upholding Mrs S' complaint.

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 S to accept or reject my decision before 10 January 2023.

Stefan Riedel
Ombudsman