

The complaint

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

What happened

Miss S opened a credit card with Tesco on 4 April 2017. She was given a £3,800 credit limit. This was increased in 2019 and 2021 but Miss S did not use any of this additional credit, her account balance never exceeded its opening limit.

Miss S says her details were not checked adequately, Tesco never asked for payslips and she did not have permanent employment. This debt has severely impacted her mental health.

Our adjudicator did not uphold Miss S's complaint. He said it was fair for Tesco to give the card and initial limit, and even if Tesco ought not to have given the extra credit Miss S had never used it and so had suffered no financial detriment for him to consider.

Miss S disagreed with this assessment and asked for an ombudsman's review. She said we have a bias towards lenders. And she was unemployed at the time.

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 am not upholding Miss S's complaint. I will explain why, but first I want to respond to her comment that we have a bias towards lenders. We are an independent and impartial organisation and we do not act on behalf of banks or consumers - it is not in our interest to find in favour of one party over the other.

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 credit card account and credit limit to Miss S, 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.

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 credit card, Tesco Bank received information from Miss S

about her income and certain expenses and it carried out a credit check. I have looked at the credit check and I don't think this raised concerns that meant further checks were required. I note the initial credit limit that was provided, and I have compared the required monthly repayments to Miss S's declared income. Having considered the size of the repayments I think the checks carried out were reasonable.

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 S had no judgments or insolvency records. She had one default of £400 but that was from 47 months ago. She had no active loans and all payments on her revolving debt of £1,158 were up-to-date. There were no searches recorded in the previous six months. Her credit utilisation was 48%. So I do not find there was anything in this check that ought to have raised concerns that Miss S was struggling financially at that time.

I have also considered the affordability based on the information gathered. Miss S says Tesco never asked for payslips, she has also said that she was both unemployed and only in temporary employment. Tesco calculated Miss S's net income to be as £2,300 after she declared that she was in full-time employment with a gross annual income of £30,000. Lenders are not obliged to check payslips and I think in this case it was reasonable for Tesco to accept what Miss S had declared. It checked her housing costs of £600 via the credit check as Miss S had a mortgage. It used national statistics to estimate her living costs and it knew her existing credit commitment from the credit check. Taking all this into account it calculated Miss S would have £891 of disposable income and so could afford to take on the card with a £3,800 limit.

So in the round I think Tesco made a fair lending decision. I don't think there was anything in the affordability or creditworthiness checks that it completed that suggested Miss S would be unable to sustainably repay her card, assuming she used the full limit.

I note Tesco went on to increase Miss S's credit limit twice but as she never used the increased limits, even if I was to find they should not have been given, there would be nothing Tesco needed to do to put things right. So I won't comment further on them.

I can see Miss S now has a significant level of debt from a number of lenders and she engaged with StepChange recently to get support. I would remind Tesco of its obligation to treat Miss S fairly and with forbearance as she works to resolve her financial situation. And I am very sorry to hear how much Miss S's financial position has impacted her mental health.

My final decision

I am 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 7 January 2023.

Rebecca Connelley
Ombudsman