

## **The complaint**

Mr R1, represented by Mr R2, says Tesco Personal Finance PLC, trading as Tesco Bank, irresponsibly lent to him.

For ease of reading, I will refer to all points made by Mr R2 as being from Mr R1 and I will refer to Mr R1 as Mr R throughout this decision.

## **What happened**

Mr R opened a credit card with Tesco on 13 June 2022. He was given a £2,400 credit limit. There was a money transfer facility on the card and he used this frequently between 20 June 2022 and 19 July 2022. At the time he had a gambling addiction and used the credit to fund this via the money transfers. He says Tesco ought not to have allowed these multiple transfers to go ahead, and nor should it have given him such a high credit limit. He asks that Tesco agree to an affordable repayment plan and that it does not default his account.

Tesco says until it was notified it of Mr R's gambling problem on 26 July 2022 it had no way to know how the money he transferred was being used. There was no breach of the account's terms and conditions. It said it could set up an affordable interest free repayment plan if Mr R could not meet the minimum payments, but it would have to report such an arrangement to the credit reference agencies. It would allow him to remain on such a plan for 12 months without defaulting the account, but if a longer-term plan is required the account would be defaulted. It also offered an interest waiver for six months if Mr R was able to make the minimum payments.

Our adjudicator upheld Mr R's complaint. He found Tesco should not have lent to Mr R and it should have suspended Mr R's credit facility after he made money transfers worth £1,450 in seven days.

Tesco disagreed with this assessment. It said the scope of the complaint had changed, Mr R had not initially raised the issue of irresponsible lending, only the authorisation of the money transfers. Our adjudicator clarified why we would approach this case as an irresponsible lending complaint.

Tesco then responded in full, still in disagreement with the outcome, saying its checks showed Mr R would have around £330 disposable income each month after taking on this card. It would have been disproportionate to carry out the level of checks needed to discover he had a gambling problem. And as soon as it was made aware on 26 July 2022 it suspended his credit facility. There would have been no reason to suspend his account for using the money transfer facility.

As an agreement was not reached the complaint has been passed to me to make a decision.

I reached a different conclusion to the adjudicator and so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new evidence by 14 February 2023.

*Extract from my provisional decision*

*I can see Tesco asked for Mr R's income, employment status and residential status. It estimated his living costs using data from the Office for National Statistics. It carried out a credit check to understand his existing credit commitments and credit history. Based on these checks Tesco approved Mr R's application and concluded a limit of £2,400 would be affordable for Mr R.*

*I think these checks were proportionate. I have taken into account the type and value of the lending and what the credit checks showed. I have considered that a sustainable monthly repayment of this credit would be £120, and thought about this relative to Mr R's income. I also think Tesco made a fair lending decision based on the results of the checks. I'll explain why.*

*When he applied Mr R declared a gross annual income of £18,500, said he was in full time employment and living with his parents. Tesco calculated his non-discretionary outgoings would be £917 (including the cost of this credit). It could see from the credit check he had a very low level of debt – just £114 – and three active accounts. There was no adverse data on his file and no evidence of financial stress such as persistent reliance on an overdraft or payday lending. There were no searches for other credit in the last six months, and no use of credit for cash advances. So I think it was reasonable for Tesco to conclude the credit was affordable, and would not be harmful to Mr R. In these circumstances, I don't think it would have been proportionate for Tesco to have carried out a fuller financial review.*

*It follows I do not currently think Tesco was wrong to give the card to Mr R.*

*Did Tesco act unfairly or unreasonably in some other way?*

*Mr R says Tesco should not have authorised so many money transfers. But all of Mr R's transfers were within his credit limit. So each money transfer was making use of credit for which Mr R had already been approved, rather than offering him an additional level of credit. And there was no way for Tesco to have been aware that he was using the money transfers for gambling.*

*I can see why he feels the bank ought to have intervened, but at this stage it was unaware of his addiction. As part of thinking about this, I'm mindful that finance providers don't need to ask what a money transfer is for and even if they did, they are not necessarily aware of what the money is then actually used for, which might turn out to be something else.*

*I can see from the bank's contact records that Mr R2 called Tesco on 26 July 2022 once he became aware of how Mr R was using the account. At this point Tesco says it suspended the credit facility. This is what I would expect. It subsequently offered two options – an interest freeze for six months if Mr R could make the contractual repayment, or an interest free payment plan if he cannot make the minimum payments. So I find Tesco responded fairly, and with forbearance, once aware of Mr R's circumstances. I agree with its position that if Mr R goes onto an arrangement to pay this would need to be reported to the agencies, similarly if the account defaults this will need to be recorded.*

*I can see that this has been very distressing for Mr R and his family, and I anticipate they will be very disappointed by my findings, but I have to reach my conclusion based on the available evidence and for the reasons set out above I do not find Tesco has acted in error. I hope Mr R and his family have found the right help to support them.*

*Neither Mr R nor his representative sent in any comments or new information. Tesco replied saying it nothing to add and found the provisional decision to be fair and reasonable.*

### **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 general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. I have followed it here.

As neither party submitted any new information or additional evidence I have no reason to change the findings or the outcome I set out in my provisional decision.

It follows I have found no failings on the part of Tesco.

### **My final decision**

I am not upholding Mr R's complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 17 March 2023.

Rebecca Connelley  
**Ombudsman**