

The complaint

Mrs H complains that Tesco Personal Finance PLC trading as Tesco Bank irresponsibly gave her a credit card that she couldn't afford to repay. Mrs H also complains that credit limit increases to the card were made on several occasions with no checks carried out on her financial situation.

What happened

Mrs H successfully applied for a credit card with Tesco Personal Finance PLC trading as Tesco Bank ("Tesco Bank") in 2003. Tesco Bank gave Mrs H a credit limit of £6,500 and subsequently increased this to £7,800 in August 2004, to £9,800 in May 2014, to £12,800 in October 2017 and to £15,800 in October 2019.

In 2022, Mrs H complained to Tesco Bank saying they'd irresponsibly lent to her in giving her the credit card and in increasing the credit limit on each occasion. Tesco Bank didn't uphold the complaint. They said they'd only considered the last two limit increases as Mrs H hadn't complained about the lending decisions in 2003, 2004 and 2014 in time. And Tesco Bank didn't agree that they'd lent irresponsibly when they increased the limit in 2017 and 2019.

Mrs H didn't agree and referred the matter to us. One of our ombudsmen sent a decision in June 2023 saying that we couldn't consider Mrs H's complaint about the lending decisions Tesco Bank had made when the card was opened, and when they increased the limits in 2004 and 2014, because Mrs H hadn't made her complaint about this in time.

One of our investigators then considered Tesco Bank's decision to increase the credit limit in 2017 and 2019. She felt their checks to assess whether Mrs H could repay the agreement sustainably were reasonable and proportionate. And she felt that Tesco Bank had made a fair lending decision based on that at the time.

Our investigator though felt Tesco Bank should have carried out further checks in 2019 due to the increased indebtedness Mrs H had compared to the income Tesco Bank had verified. And she felt that had Tesco Bank carried out further checks, they would have seen that Mrs H didn't have enough disposable income to sustainably repay the increased access to credit. So, she recommended that Tesco Bank rework Mrs H's credit card account so that they didn't hold her liable for any fees, interest, charges or insurances applied to balances over the credit limit of £12,800. And she gave some further recommendations if the rework resulted in any overpayment made by Mrs H or if the balance still exceeded £12,800.

Mrs H replied saying that she wanted us to look at the lending decisions from 2003, 2004 and 2014. Tesco Bank didn't reply.

The complaint has been passed to me for 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.

The referral to me as the deciding ombudsman should be based on the specific objections to our investigator's view. However, neither Mrs H nor Tesco Bank have said why they disagree with the investigator's view on the lending decisions of 2017 and 2019. Mrs H isn't happy that we have said the preceding lending decisions were made out of time and wants us to consider these. Our ability to consider these though was the subject of the ombudsman's decision in June 2023. I don't consider it appropriate to now revisit this as a result.

So, seeing as neither party has said why our investigator's view wasn't reasonable, in relation to the specific considerations of the lending decisions in 2017 and 2019, I have no objections to consider in relation to these. And as such, I see no reason to depart from what was recommended.

Putting things right

Tesco Bank should rework Mrs H's credit card ensuring that she isn't liable for any charges, fees, interest or insurances on balances above £12,800. To do so, I have set out what they need to do in the section below.

My final decision

My final decision is that I uphold this complaint and direct Tesco Personal Finance PLC trading as Tesco Bank to:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £12,800.
- If the rework results in a credit balance, this should be refunded to Mrs H along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Tesco Bank should also remove all adverse information recorded after October 2019 regarding this account from Mrs H's credit file.
- Or, if after the rework the outstanding balance still exceeds £12,800, Tesco Bank should arrange an affordable repayment plan with Mrs H for the remaining amount. Once Mrs H has cleared the outstanding balance, any adverse information recorded after October 2019 in relation to the account should be removed from their credit file.

If Tesco Bank has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

I note that Tesco Bank were considering Mrs H's request to write off the outstanding debt on the credit card. If they have now done so, that will in my view represent a fair outcome and Tesco Bank need not carry out the direction I've set out above.

*HM Revenue & Customs requires Tesco Personal Finance PLC trading as Tesco Bank to deduct tax from any award of interest. It must give Mrs H a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 6 October 2023.

Daniel Picken
Ombudsman