

The complaint

Mrs M complains that Tesco Personal Finance PLC ("Tesco") acted irresponsibly when it granted her a credit card account and later when it increased her credit limit on a number of occasions.

What happened

In 2008, Mrs M applied for a credit card account with Tesco. Tesco accepted the application and provided the account with a credit limit and later increases as follows:

Lending decision	Date	Old limit	Increase	New limit
1	2008	£0	£5,200	£5,200
2	2011	£5,200	£1,250	£6,450
3	2013	£6,450	£2,000	£8,450
4	2017	£8,450	£3,000	£11,450

From December 2017, Mrs M requested reductions in the credit limit until she closed the account in May 2018. Mrs M says she was in financial difficulty and used some of her pension funds to pay off her debts - including closing her Tesco credit card account.

In 2022, Mrs M made a complaint to Tesco that it had lent to her irresponsibly and that the lending was not affordable for her. She said that Tesco should've realised that she only made minimum repayments, had an extremely high level of debt, was struggling financially and would not be able to repay any credit within a reasonable time.

Tesco responded to say it was not upholding Mrs M's complaint. While Tesco felt the complaint had been made too late under our rules, it also explained that it felt its lending decisions had been responsible and it had not done anything wrong. Tesco pointed out that Mrs M had usually made payments above the minimum amount required each month, occasionally almost the full statement balance, and had never missed any payments nor exceeded her credit limit on the account. Tesco said this did not suggest she was in financial difficulty and that the checks it carried out, including looking at credit reference agency data and her management of the account, did not give it cause to think the lending was unaffordable.

An ombudsman previously made a decision that confirmed we could look at this complaint, including the initial decision to provide the credit card and all the credit limit increases.

Our investigator looked at what happened and concluded that Tesco's decision to offer the final credit limit increase in 2017 was irresponsible or unaffordable. So, she recommended that Tesco rework the account to remove the resulting interest, fees, and charges, and that Mrs M should be refunded any resulting overpayments.

Tesco responded to say that Mrs M's account balance never increased above £8,450 after the final credit limit increase. So, she did not incur any interest, fees or charges that would need to be refunded.

Mrs M said that the assumptions Tesco made about her income in 2013 were incorrect and overstated her income by about £3,000 per year. Our investigator acknowledged this but said that without additional evidence to show what Mrs M's income was at that time, she did not think it would be appropriate to say Tesco's lending decision in 2013 was unreasonable.

Because the complaint could not be resolved by our investigator, I've been asked 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.

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. Information about our approach to these complaints is set out on our website.

When lenders look at any application to borrow money, they need to make sure there are proportionate checks in place. The checks should ensure that any credit that's offered is affordable and sustainable for the borrower. There's no set list of checks a lender must complete, so I've thought about whether the checks completed by Tesco were in my opinion proportionate and reasonable, based on the credit limits it provided.

Having thought about what happened, I have decided Tesco does not need to do anything further in relation to this complaint.

Lending decisions 1 and 2

The initial application for the credit card was in 2008. Because that is so long ago there is insufficient information for me to say that Tesco's decision to offer Mrs M the credit card was irresponsible or that it was unaffordable for her. The same goes for the first limit increase in 2011.

Lending decision 3

Because of how long ago it was, there is limited information about the credit limit increase in 2013. But I can see that Tesco used what it knew about Mrs M including credit reference agency data to do an affordability calculation. This was based on her assumed income (which Tesco calculated using her known income in 2008 adjusted for inflation) and taking into account her existing unsecured debts of around £8,000. Tesco said it calculated that Mrs M could afford a credit limit increase of more than the £2,000 it gave her.

Given the size of the credit limit increase and Mrs M's assumed income, I think it would've been appropriate for Tesco to find out more information about Mrs M's income and expenditure to help inform its decision.

However, Mrs M has been unable to provide bank statements showing what Tesco might have discovered had it done more. She has told us that Tesco overestimated her income. But, given the lack of information available about her expenditure at that time, I do not think I

can reasonably conclude that if Tesco had done more it would have found something that means it should not to have offered Mrs M the increased credit limit.

Lending decision 4

Mrs M did not use the additional credit provided as a result of this credit limit increase. As such, it did not result in any loss to her in the form of interest, fees, or charges. So, there would be no refund due to her even if I found that Tesco's decision was irresponsible, or the additional credit provided was not affordable for Mrs M.

Because of this, I do not think Tesco needs to do anything further.

My final decision

For the reasons I've explained, Tesco Personal Finance PLC does not need to do anything further in respect of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 6 March 2024.

Phillip Lai-Fang
Ombudsman