

The complaint

Mr P complains that Tesco Personal Finance PLC trading as Tesco Bank ('Tesco Bank') irresponsibly gave a loan that he couldn't afford.

What happened

In July 2016 Mr P asked for and was given a loan for £6,000 which had a term of five years. The purpose of the loan was to refinance debt.

In 2022, Mr P complained to Tesco Bank to say that the loan shouldn't have been opened for him because it wasn't affordable and that Tesco Bank ought to have made a better effort to understand his financial circumstances before providing him with credit. Tesco Bank declined to uphold the complaint. And Mr P brought his complaint to this service.

Our investigator thought the complaint should not be upheld. Mr P didn't agree. So, the complaint was passed to me to decide.

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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Tesco Bank 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.

Mr P's complaint is that Tesco Bank made credit available that was unaffordable. Tesco Bank has explained that it relied in part on information that Mr P provided at the time of application to assess affordability. They said they also carried out a credit search in Mr P's name to assess Mr P's level of debt at that time and to understand how he had been managing that debt. And they requested and considered Mr P's most recent bank statement before making their lending decision. That seems like proportionate checks for a loan amount that was reasonably modest, in itself and in relation to Mr P's declared income.

With that information and using their own scoring metric, Tesco Bank decided to agree to the loan. And Mr P declared an income that was not modest compared to the amount of loan he was applying for. Both the income and expenditure exercise that took place before the lending and the bank statements Mr P provided with his application suggested that the new borrowing was affordable.

The Tesco Bank checks showed that Mr P's credit file was clean at the time of the loan application. When I say this, I mean that Mr P's management of his existing credit showed no recent history of CCJ's, defaults or bankruptcies. So, it would have seemed to Tesco Bank from the information they had from credit reference agencies that, at the point that the lending decision was made, Mr P was affording his existing credit. And so, Tesco Bank were not put on notice of any reason not to agree the lending from that. And so, I don't think that the information that Tesco Bank had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Mr P's financial position before they lent money to Mr P.

It's possible that not all of the borrowing Mr P had, showed on the credit checks performed by Tesco Bank. Mr P has said that to us. Not every credit check agency can see all of someone's credit. And very recent borrowings take time before they appear on such checks. This does not mean that Tesco Bank were automatically negligent if their checks did not reveal the full extent of Mr P's borrowings. And as has been mentioned Mr P's management of his existing borrowing had not adversely affected his credit history at the time he applied for this loan to the extent that made the loan irresponsibly lent.

Mr P thinks the weight of his existing credit was underestimated by Tesco Bank and the existing debt made the loan unreasonable. But Mr P told Tesco Bank that the purpose of the loan was to pay off other debts. So, I don't see the provision of the loan as evidence solely of new credit being provided by Tesco Bank, adding to an already existing amount of personal borrowing. Instead, rather than the new credit adding to Mr P's burden of credit, in terms of total debt and the monthly cost of servicing that debt, it looks like Mr P was taking steps, that could be termed sensible, to manage his existing debt by taking out this loan and using it to pay off other debts that were presumably on less favourable terms. So, it doesn't seem automatically unreasonable for Tesco Bank to have facilitated that.

I've noted that the statements provided to Tesco Bank showed a largely well managed account, with equivalent amounts going out compared to the amounts going into the account. I have seen insufficient evidence that the other information that Tesco Bank acquired or had presented to it at the time of the lending decision, would have led them to think that they were remiss in not checking Mr P's finances more closely.

And I have seen no evidence that Mr P made Tesco Bank aware of his gambling at the time the loan was applied for. And the account had not been adversely affected by it at the time the loan was taken out. The evidence that Tesco Bank had presented to it by Mr P and that they sourced for themselves at the time, suggested that gambling was not a reason to decline the loan at the time they made their lending decision.

I cannot use hindsight in deciding complaints about unaffordable lending. If financial difficulty happened later, after the loan was given, that does not mean that the lender failed at the time they made their lending decision. And having considered all the submissions made in this case, and in the absence of any extra evidence from Mr P to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led Tesco Bank to think that the credit it provided Mr P was unreasonable, or that more searching checks would have prompted them to have acted differently than they did.

I know that Mr P will be disappointed with my decision, in itself and because he has invested time and energy in pursuing his complaint. And because Mr P has told us he has had some other complaints upheld. At this service each complaint is judged on the individual circumstances of that particular case.

But I want Mr P to know that I considered all the submissions made in this case. But having considered all the submissions in this case, particularly those at the time of the lending decisions, I have not found sufficient evidence to uphold this complaint. I have seen insufficient evidence to think that the credit Tesco Bank are responsible for was unreasonable.

My final decision

For the reasons given above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 December 2023.

Douglas Sayers
Ombudsman