

Complaint

Mr R has complained about a (“Tesco Bank”) credit card Tesco Personal Finance PLC provided to him.

He says the credit card was irresponsibly provided as it was unaffordable for him.

Background

Tesco Bank provided Mr R with a credit card with an initial limit of £250 in July 2022. Mr R wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr R and Tesco Bank had told us. And he thought Tesco Bank hadn’t done anything wrong or treated Mr R unfairly in relation to providing the credit card.

So he didn’t recommend that Mr R’s complaint be upheld. Mr R disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr R’s complaint.

Tesco Bank needed to make sure it didn’t lend irresponsibly. In practice, what this means is Tesco Bank needed to carry out proportionate checks to be able to understand whether Mr R could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Tesco Bank says it agreed to Mr R’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr R would be able to make the low monthly repayment due on this credit card. On the other hand Mr R says that he shouldn’t have been lent to under any circumstances.

I’ve considered what the parties have said.

What's important to note is that Mr R was provided with a revolving credit facility rather than a loan. And this means that Tesco Bank was required to understand whether a credit limit of £250 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £250 required small monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Tesco Bank obtained from Mr R about his income and that was on the credit search carried out. And this information doesn't indicate to me that Tesco Bank ought to have realised that Mr R didn't have the funds to make the very low monthly payment that required to repay this credit card within a reasonable period of time.

Mr R says that Tesco Bank should have asked him for bank statements as he could have stated anything in his application and it ought to have checked and ensured that this was accurate. I appreciate what Mr R has said. But the starting point here is that a lender is entitled to expect a prospective borrower to provide accurate information when applying for credit. That said, it doesn't mean that a lender has no responsibility at all to check any information provided, but whether it is proportionate to do so given the risks and thinking about factors such as the amount being lent.

In this case, the amount being lent here was very low. Furthermore, Tesco Bank didn't simply rely on what Mr R said as he appears to believe either. Its calculations of Mr R's disposable income relied on the payments to credit indicated on the credit searches carried out. So while Mr R may have provided inaccurate information, Tesco Bank's decision to lend wasn't based solely on this. And as the credit searches Tesco Bank carried out didn't show Mr R was over-indebted, I don't think that Tesco Bank needed to further verify what was in the information it had before lending.

I accept that Mr R says that his actual circumstances were worse than what the information Tesco Bank obtained showed. I know what he has said about his personal circumstances at the time. That said, Tesco Bank did not know about this. And importantly I don't think that it ought reasonably to have been aware of this either. Of course, Tesco Bank might have seen what Mr R has referred to had it seen Mr R's bank statements and it is possible, but by no means certain, that it might have taken a different decision had it seen this information.

However, in my view, there wasn't anything immediately obvious in the information that Tesco Bank did have, including Mr R's existing indebtedness bearing in mind his declared income, which meant it should have asked Mr R to provide supporting evidence, such as his bank statements, before providing him with a credit card, with this limit, in this instance.

So while I appreciate what the bank statements Mr R has provided now show, this doesn't make a difference to my decision here, as it would have been disproportionate for Tesco Bank to have asked for statements, at the time, given the amount being lent and what the information that it gathered showed.

Overall while I can understand Mr R's sentiments and I'm sorry to hear about his situation, I don't think that Tesco Bank treated Mr R unfairly or unreasonably when providing him with his credit card. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable.

Consequently I'm not upholding Mr R's complaint. I appreciate this will be very disappointing for Mr R. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm 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 28 February 2024.

Jeshen Narayanan
Ombudsman