

The complaint

Mr M has complained that Tesco Personal Finance PLC, trading as Tesco Bank, reneged on the loan offer it made to him.

What happened

Mr M has a mobile app with ClearScore, and he's explained that through this app, he's offered credit from a number of different providers. And in November 2023, he had an offer through the app from Tesco. He said that it was for £1,000, over a 24-month term, with an APR of 16%, and monthly repayments of £48. As he was happy he could afford these repayments, he made his application.

However, when Tesco responded, saying "we've agreed your loan", the details were different. The term was 12 months not 24, with an APR of 32.8%, and monthly repayments of £96.85.

Mr M was unhappy with this, and explained that the initial contact from ClearScore claimed to have already taken affordability into account. He feels the system is intended to 'catch consumers out', by making them feel obliged to accept a loan on different terms.

As Tesco didn't agree it had made an error, Mr M brought his complaint to our service.

One of our investigators looked into what had happened. He explained that he could only look in this complaint at the actions of Tesco - not of ClearScore (or its parent company, Experian). And, having done so, he didn't think Tesco had behaved unfairly.

Our investigator noted that Tesco had explained that its website makes clear that its loan calculator is illustrative only. So, it's designed to give an indication of what loan products may be available. He thought this was reasonable.

Our investigator also looked at Mr M's loan application, which he'd made in November 2023. And this showed he'd applied for a loan with a 12-month term (not the 24-month term he said had been shown on the ClearScore app). So, our investigator was satisfied would likely have affected the APR rate and the monthly repayment amount.

Tesco has provided a copy of the letter it sent to Mr M, dated 25 November 2023, which opens with "We've agreed your loan". In the letter it says, "...When you return your loan documents to us, we'll make some final checks...". Under the heading 'Your personal interest rate' it says, "We've done our initial credit assessment – this tailors your loan interest rate to your personal circumstances. Your personalised interest rate for his loan is 32.8% APR...".

Mr M then had the option to continue with the loan on those terms, or not to proceed. He chose not to proceed. Our investigator was satisfied that Tesco had acted fairly, and tailored Mr M's loan to his circumstances, using its internal criteria.

Mr M disagreed, so his complaint's been passed to me.

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.

First, I'd like to thank Mr M for the detailed submissions he's made, which I've carefully considered. I won't refer to all of them in this decision. This isn't intended as a discourtesy, and I assure him I've considered the file in full. I must also explain that I'm only considering the actions of Tesco, not of any third parties.

Having done so, I agree with the outcome reached by our investigator. I'm satisfied that Tesco makes it clear that potential loans are illustrative. That said, from the application I've seen, it looks like Mr M didn't actually apply for the loan he's explained he saw on the ClearScore app – as this was for 24 months, whereas the loan he applied for was for 12 months. So, it's almost certain this affected the APR and monthly repayments. So, this may well explain the difference.

But in any event, Tesco has obligations to lend responsibly, and this includes carrying out affordability checks. Tesco then decides whether or not it will lend, and on what terms. So, any illustrative potential loan, if applied for, will then be subject to more detailed checks. I think this is reasonable, and what I'd expect to see, to ensure lending is responsible.

My final decision

For the reasons given above, it's my final decision not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 October 2024.

Elspeth Wood
Ombudsman