

The complaint

Mr M, through a representative, says Tesco Personal Finance PLC, trading as Tesco Bank, irresponsibly lent to him.

What happened

Mr M took out a credit card from Tesco Bank in January 2022. He was given a £250 credit limit. Mr M says Tesco Bank failed to conduct proportionate checks at that time and could have done more prior to approving his application.

Tesco Bank said it completed proportionate checks that showed Mr M could afford this limit.

Our investigator did not uphold Mr M's complaint. He said Tesco Bank completed proportionate checks and they showed the credit would be sustainably affordable for Mr M.

Mr M disagreed and asked for an ombudsman's review. He said his credit file shows adverse history in the 12 months prior so he does not agree that proportionate checks were carried out.

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. Our approach to complaints about irresponsible lending is set out on our website and I have followed it here.

Before providing the credit card to Mr M, Tesco was required to carry out proportionate checks to ensure the lending was affordable. There isn't a specific set of checks that need to take place, but Tesco was required to undertake reasonable and proportionate checks taking into consideration, amongst other things, the value and term of the lending.

To reach a decision on this case I have therefore considered if Tesco's checks were proportionate; if so, did it make a fair lending decision; and if not, what would better checks most likely have shown. I have also reviewed whether Tesco acted unfairly towards Mr M in some other way.

In this case, before providing the credit card, Tesco asked for information from Mr M about his income, residential status and employment status. It verified his declared income with an external source. It estimated his living costs using national statistics. It carried out a credit check to understand his credit history and existing credit commitments. Based on these checks Tesco Bank concluded a limit of £250 would be affordable.

I think these checks were proportionate given the low limit offered. And I think Tesco Bank made a fair lending decision based on the results. It learnt Mr M had a net monthly income of

£2,600 and was living with his parents. Nevertheless based on national statistics it allocated £527 for his housing costs and £690 for his living costs. From its credit check it knew he was spending £440 a month on repayments towards his current debt of £4,725. This meant he had £943 monthly disposable income, so I agree the credit was affordable.

I can see there was some adverse data on the credit check – a number of defaults, but the most recent was 31 months old so I would not consider that a reason not to lend given the value of the credit involved. Mr M has sent in a list of other more recent issues that he says would have been apparent on his credit file. But the results of Tesco Bank's search showed he was up-to-date on all his active accounts (the worst status 'D' in the last six months refers to the defaults which would still show as they were still on his file – not the timing of the default which is clearly listed by both agencies as 31 months ago). And I can only fairly expect Tesco Bank to respond to the results its check returned. A lender will not see the same data as a consumer will on their full file for a number of reasons – not all lenders report to all the agencies and there can be timings lags.

It follows I do not find Tesco Bank was wrong to lend to Mr M. And I have found no evidence it acted unfairly towards him in some other way.

My final decision

I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 July 2024.

Rebecca Connelley
Ombudsman