

The complaint

Mr G is unhappy because he applied for a loan from Tesco Personal Finance PLC trading as Tesco Bank ("Tesco") which advertised a headline rate of 5.6% but when he received his credit agreement the rate was 14%.

What happened

On 29 November 2023 Mr G applied for a loan with Tesco. Before submitting his application, he used a loan calculator which provided an illustrative example of what the loan would cost.

Mr G submitted his application. It was referred for additional checks, which meant that he wasn't provided with a decision on the day he applied.

Tesco accepted the application on 5 December 2023 and posted the loan documents to Mr G.

Mr G called Tesco on 6 and 8 December 2023 for an update. He was advised that it could take 5 working days for the documents to reach him.

When Mr G received the loan documents, he noticed that the APR was 14%. He complained to Tesco, unhappy that he'd had to wait over a week to receive the documents and unhappy to receive an APR that he wasn't expecting.

Tesco didn't uphold the complaint. It said the loan calculator wasn't misleading because it stated on the website that the APR was illustrative and not guaranteed.

Mr G remained unhappy and complained to this service. He said he'd applied for the loan in order to purchase a car and thought he would be offered the headline rate. Mr G said that he'd called Tesco to chase up the loan application but hadn't been told on the call that the APR he was being offered wasn't the headline rate. Mr G said the delay in receiving the loan documents had led to the dealership putting pressure on him about his purchase of the car, Mr G said that when he received the loan documents and saw that the rate was 14%, he'd had to contact the dealership and explain that he wasn't going ahead, which had caused him embarrassment.

I issued a provisional decision in which I didn't uphold the complaint. In relation to the loan rate, I said that the loan calculator on Tesco's website clearly stated that the rate was illustrative and that the actual rate offered depends on the amount, the term and the applicants individual circumstances. I said I appreciated that Mr G thought he'd be offered a loan at the same or similar to the illustrative rate, but I was satisfied that the website made it clear that this wasn't guaranteed. I reviewed the information provided by Tesco as part of its explanation as to why Mr G wasn't offered the headline rate and said I was satisfied that Tesco had applied its lending criteria fairly. I found no evidence to suggest that the loan calculator was misleading, or that Mr G had been treated unfairly.

In relation to the customer service issues, and specifically Mr G's complaint that he wasn't made aware of what would happen after he had submitted his application and that he hadn't

been kept informed, I said that it was clearly stated on the website that once an application was submitted, a credit check would be carried out which may be followed by further manual checks. The website also explained that Tesco would call Mr G in 5 working days if it needed further information, or that if no further information was needed, loan documents would be sent within 5 working days. I said I appreciated that Mr G felt that he should have received an email acknowledging his application but said I was satisfied that the information on the website made it clear what would happen next and within what timescale.

In relation to Mr G's concerns about the delay in receiving the loan documents, I said that his application was submitted on 29 November 2023 and the loan documents were issued on 5 December 2023, and that this was within the 5 working days timescale set out on the website. I said I was aware that Mr G had called to chase the application and I'd considered his concern that Tesco hadn't advised him of the APR rate being offered on the call. Mr G had suggested that if he'd been told about the APR rate being offered on the call, it would've allowed him to make an informed decision about his proposed car purchase. I said I didn't think I could fairly hold Tesco responsible for any upset caused to Mr G when he found out what APR rate he'd been offered, or for his loss of expectation in this respect. It was Mr G, not Tesco, who made the assumption that he would be offered the headline rate and who told the dealership that the money would be available in a few days time. I appreciate that Mr G was keen to purchase the car, but I don't think it's fair to hold Tesco responsible for what Mr G said to the dealership, or for any embarrassment caused to Mr G when he had to retract what he said.

I invited both parties to let me have any further comments they wished to make in response to my provisional decision.

Neither party disagreed with my provisional 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.

Neither party has disagreed with my provisional decision or made any further comments. In the circumstances I see no reason to reach a different conclusion.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 August 2024.

Emma Davy
Ombudsman