

The complaint

Mr C has complained that Tesco Personal Finance PLC trading as Tesco Bank acted irresponsibly when it provided him with a credit card in 2017. The limit of the card was increased twice in 2018 and 2019, Mr C has said that all lending decisions made by Tesco in regard to the credit card were irresponsible and that it was never affordable for him.

Background

Mr C applied for a credit card with Tesco in September 2017. The application was approved, and he was given an opening limit of £4,300. The limit on the card was then automatically increased by Tesco in May 2018 to £6,300 and again in July 2019 to £7,300.

Mr C has explained that he was struggling with compulsive spending and that he was gambling in a problematic and harmful way. He believes Tesco should have realised what was going on as he was using the card almost exclusively to gamble. As such he feels that it was inappropriate for Tesco to provide him with access to the credit as it resulted in financial harm.

Tesco has said that at the time he applied for the credit card it completed all the necessary checks to ensure it was both affordable and sustainable for him. It has said that Mr C had a monthly salary in excess of £3,000, was a homeowner and his credit file was in good order with no indicators of missed payments, defaults, or county court judgements. So, it didn't think there was anything to indicate the card would be unmanageable or unaffordable for him.

It has also said that when the limits were increased the account had been well maintained, with Mr C regularly making more than the minimum monthly repayments required. While it accepts he was using it for gambling, it has said that at the time this was permitted and there was nothing in the terms and conditions to prevent him from using the card for that purpose. So, it didn't think it had done anything wrong and didn't uphold his complaint.

Unhappy with Tesco's response Mr C brought his complaint to this service. I issued a provisional decision on 23 September 2024 explaining why I didn't think Tesco had been wrong to provide Mr C with the credit card or any of the subsequent limit increases. So based on the evidence I had reviewed by that point I didn't intend on upholding his complaint.

I asked both parties to provide me with any additional comments or evidence they wanted me to consider by 4 October 2024.

Tesco responded the provisional decision clarifying it had nothing further to add.

Mr C didn't respond to my findings.

As I've not been given any new information to consider my findings remain the same and I'm not upholding Mr C's complaint. For the sake of clarity, I will repeat the findings set out in my provisional decision below.

My findings

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

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance, and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about the consumer at the time of application.

Mr C's complaint involves three lending decisions and so I will look at each in turn.

Initial application September 2017

When Mr C applied for the card in September he declared his annual salary to be approximately £60,000 with an average monthly take home pay of over £3,000. Mr C had no adverse information on his credit file and was managing his existing credit well. There was sufficient disposable income each month to meet the required minimum repayments and so the application was approved.

Looking at Mr C's circumstances at the time he applied for the card I don't think there was anything to indicate it would be unaffordable or unsustainable for him. So, I don't think Tesco was wrong to approve the application and so I'm not upholding the complaint in relation to this decision.

First Limit increase May 2018

At the time of the first limit increase Mr C had been actively using the card for six months. There were no substantial changes in his circumstances, his credit file was still well maintained with no signs of financial stress.

Looking at Mr C's credit card statements I can see that in January 2018 the balance was approximately £1,257, which was well below the existing £4,300 limit. In the following month Mr C did exceed the limit, but by just over £50 and the account was quickly brought back into good order so that in March the balance was approximately £4,163 and by April, the month prior to the limit increase, the balance was just £7.73 as Mr C had effectively cleared the outstanding balance on the account.

It is obvious from reviewing the statements that Mr C was using the card to gamble. But I have to consider what Tesco did know, ought to have known, and what the rules around lending were at the time.

Having done so, I don't think there were any signs of financial vulnerability when the first limit increase took place. The fact that Mr C was using the facility to gamble, while unwise, wasn't against the terms and conditions of the card. I know that in April 2020 the Gambling Commission banned regulated gambling merchants from accepting payment from a credit card, but that ban wasn't in place in September 2018, and wasn't applied to credit providers. So, I can't apply it here as a reason to uphold the complaint.

While I can see Mr C exceeded the limit on the card prior to the limit increase, that in and of itself, isn't a sign of financial stress and the account was brought into good order the following month. And there was no obligation on Tesco to review the individual transactions on the account or the retailers Mr C was using it for.

So overall I don't think there was anything in September 2018 to indicate that Mr C was struggling to manage the account effectively or that the limit increase was unaffordable or unsustainable for him. So, I'm not upholding the complaint on this point.

Second limit increase July 2019

By the time the final limit increase happened Mr C had been managing the account for nearly two years. At this time Mr C was still using the card to gamble but the outstanding balance on the card was well below the existing limit. In April 2019 the outstanding balance on the card was just under £4,000 with the upper limit set at £6,300 so Mr C was well within the limit available to him. And that month he made a payment of £1,000 against the card which exceeded the minimum payment due.

The following month, Mr C's balance was approximately £6,260 so he was sitting much closer to the upper limit, however that month he effectively cleared the balance resulting in his June statement being only £143.04.

So again, while it was unwise to use the card the way he did, I can't fairly say that there was any activity on the account that would have led Tesco to believe the credit limit in July 2019 would be problematic for Mr C or that it was unaffordable for him. His credit file was still in good order and while he had taken out other forms of credit by this time, he was still managing them well and making his repayments as required.

All of which means I don't think that it was unreasonable for Tesco to provide the card to Mr C in 2017 or to increase its limit in 2018 and 2019. And while I don't doubt that Mr C has experienced genuine financial problems as a result of his compulsive spending, that doesn't automatically mean that at the time Tesco provided the lending to him it was wrong to do so.

And for that reason, I'm not upholding Mr C's complaint.

My final decision

For the reasons set out above and in my provisional decision of 4 October 2024, I do not uphold Mr C's complaint against Tesco Personal Finance PLC trading as Tesco Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 November 2024.

Karen Hanlon
Ombudsman