

Complaint

Mrs G has complained about a credit card Tesco Personal Finance PLC (trading as “Tesco Bank”) provided to her. She says she shouldn’t have been provided with a credit card which had a such a high credit limit as it was unaffordable for her.

Background

Tesco Bank provided Mrs G with a credit card which had a limit of £9,000.00 in August 2022. The credit limit on the card was never increased.

One of our investigators reviewed what Mrs G and Tesco Bank had told us. And she thought Tesco Bank hadn’t done anything wrong or treated Mrs G unfairly. So she didn’t recommend that Mrs G’s complaint be upheld.

Mrs G disagreed and asked for an ombudsman to look at her 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 Mrs G’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 Mrs G could afford to repay any credit it provided.

Having carefully considered everything, I’ve decided not to uphold Mrs G’s complaint. I’ll explain why in a little more detail.

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 Mrs G’s application for a credit card after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs G would be able to make the monthly repayments due on a credit limit of £9,000.00.

On the other hand, Mrs G says that she shouldn't have been lent to given her circumstances at the time she made this application.

I've considered what the parties have said.

What's important to note is that Mrs G 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 £9,000.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £9,000.00 did not require particularly large monthly repayments in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Mrs G declared that she was employed and earning £1,800.00 a month. Tesco Bank cross-checked Mrs G's declaration against information from credit reference agencies on the funds that she received into her main bank account each month.

Tesco Bank's credit check also showed that Mrs G had active debt balances of just over £7,000.00 at the time of the application – a significant proportion of which was on existing revolving credit accounts. These searches did not indicate that Mrs G had had any recent previous difficulties repaying credit – such as defaulted accounts or county court judgments recorded against her and Mrs G was also well within her existing credit limits.

I accept that Mrs G says that her actual circumstances were not fully reflected either in the information she provided, or the information Tesco Bank obtained. For example, I've seen what she's said about paying some of her existing debts by increasing her mortgage. She's also said that she took out further loans. In the first instance, I can see that the mortgage payments Tesco Bank used in its assessment of affordability was £567. So it appears to have been aware how much Mrs G owed on her mortgage.

In any event, I also think that Mrs G is making some of her arguments with the benefit of hindsight and with the sight of her full credit file. Indeed, while Mrs G has referred to the additional credit she took out in July 2022 and this does show on her full credit file, it's also fair to say that credit files take some time to update. Unfortunately, credit files do not update immediately or provide lenders with a real time picture. A lender will tend to have information based on the last update.

That is the reason why the credit Mrs G was granted in the leadup to this application didn't show up on Tesco Bank's credit check. Equally, the credit checks Tesco Bank carried out simply did not have the same level of granularity as Mrs G's full credit file either. As I can't see these debts on the credit check which Tesco Bank carried out and it was entitled to rely on what it had obtained, I can't say that Mrs G's additional credit ought to have factored into its affordability assessment in the way that she has argued.

Furthermore, I also have to keep in mind that Mrs G was applying for a card which had a 0% balance transfer offer and that she would pay no interest on the credit card debt she was going to transfer for a period of time. Mrs G not having interest to pay on this debt will have given her a significantly greater opportunity to reduce what she already owed, as well as reduce what she would have to pay to balances that had already accrued.

Bearing in mind all of these circumstances, I'm satisfied that the checks Tesco Bank carried out were reasonable and proportionate. So I don't think that there was a need for it to have obtained Mrs G's bank statements in the way that she has said it should have. Given the information gathered demonstrated that it was more likely that not Mrs G would be able to repay £9,000.00 within a reasonable period of time, I don't think that it was unreasonable for Tesco Bank to have provided this credit card to her.

In reaching my conclusions, I've also considered whether the lending relationship between Tesco Bank and Mrs G might have been unfair to Mrs G under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Tesco Bank irresponsibly lent to Mrs G or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I don't think that Tesco Bank treated Mrs G unfairly or unreasonably when providing her with her credit card. And I'm not upholding Mrs G's complaint. I appreciate this will be very disappointing for Mrs G. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 16 December 2024.

Jeshen Narayanan
Ombudsman