

The complaint

Miss S is unhappy Tesco Personal Finance Limited trading as Tesco Bank is unfairly holding her responsible for a £25,000 loan she says she didn't apply for.

What happened

In November 2023, Tesco Bank received an application for a loan using Miss S' personal details. The loan was approved, and £25,000 was paid into an account Miss S held jointly with her ex-partner. £20,000 of it was transferred out of the account the same day, which Miss S says was done by her ex-partner. The remaining £5,000 remained in the joint account and was used for general spending.

In June 2024, Miss S contacted Tesco Bank to explain that the loan was taken out by her ex-partner without her permission, and she'd only just become aware of it. She reported the application as fraudulent and asked Tesco Bank to write off the account balance and remove evidence of it from her credit file. But Tesco Bank declined to do this.

Tesco Bank then received contact from someone claiming to be Miss S' ex-partner, who admitted to taking the loan out fraudulently. But Tesco Bank didn't respond to this.

Miss S raised a complaint, and Tesco Bank responded to say the following:

- A full investigation was completed, and the decision was made to hold Miss S liable for the loan. This decision remains unchanged.
- It was sorry it did not initially ask Miss S to provide bank statements to support the investigation. It paid £50 compensation for this mistake.

Miss S referred her complaint to this service where it was considered by one of our investigators. Miss S confirmed that she'd accepted the £50 compensation and didn't need us to look into that part further. But our investigator didn't feel that Tesco Bank should hold Miss S liable for the outstanding balance of the loan in full, as she was satisfied that Miss S didn't apply for or have knowledge of it. Instead, she felt that it was reasonable for Tesco Bank to hold her liable for £5,000 of the loan, as she'd benefited from this amount as it had remained in her account and had been spent.

In response to this, Miss S felt that Tesco Bank should hold her ex-partner responsible for the loan as he is willing to pay it back.

Tesco Bank disagreed with our investigator. It said it believed Miss S was aware of the loan prior to her fraud report. And, the £25,000 had been paid into Miss S' joint account that she had full access to, and had benefited from the proceeds.

As no agreement can be reached, the complaint has been passed to me to decide.

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.

Generally, a customer can't be held to the terms of a loan agreement they didn't enter into or was entered into by someone else without their consent. In this case, Miss S says she didn't take out the loan with Tesco Bank, her ex-partner did. She's described the wider context of her ex-partner's financial behaviour at the time, and has told our investigator that he was investing in cryptocurrency. She says he used their joint savings, money from friends and family, as well as the Tesco Bank loan proceeds to do this.

Miss S has told us that throughout their relationship, her and her ex-partner were always transparent about their finances, with both of their wages being paid into a joint current account. They managed their finances collaboratively, with one salary covering utilities and the other going into a joint savings account with another financial provider, savings for their son's future and for a house deposit. Miss S says she knew her ex-partner was investing in cryptocurrency, but she believed he was doing this with his own money, rather than with the Tesco Bank loan and their joint savings.

I've seen Miss S' joint bank statements from the time the £25,000 loan was paid into it. £20,000 was moved from the account the same day, with her ex-partner's name as the beneficiary. So I'm satisfied that the £20,000 was moved to his own personal account. £5,000 of the loan remained in the joint account, and I've seen evidence that this was spent on general living expenses. Miss S has told us that her ex-partner led her to believe that the £25,000 deposit into the account was from his cryptocurrency earnings, which is why she didn't question the increased available account balance. And, whilst she regularly monitored the current account, because of his explanation, didn't review details of the £25,000 deposit to see reference of 'loan' on the statement.

Tesco Bank has referred to letters that it sent to Miss S' address in relation to the loan application. It believes it's unlikely that Miss S wouldn't have seen at least one of these at the time, and this is a contributing factor as to why it believes she was aware of the loan. Whilst I appreciate its comments, I find it's very possible that someone within Miss S' household could intercept post intended for her. Especially if the person was expecting the letters to arrive and could look out for them.

I note Tesco Bank's comments that Miss S' personal details were largely correct on the application, with the email address as a discrepancy – but as she's named her ex-partner as the person who made the application, the fact her details were mostly correct isn't surprising. And, Miss S has provided evidence that around the same time as discovering the loan, she made a report to the Police, which she says was because of the fraudulent application. I find this adds to Miss S' credibility.

Having thought carefully about everything available for this complaint, and the detail that Miss S has told us about her ex-partner's actions, on balance, don't think Miss S took out the Tesco Bank loan herself or consented to her ex-partner making the application.

However, when an account is taken out by someone other than the person named on the application, that doesn't automatically mean that they can't be held liable for any outstanding balance. Here, I agree with our investigator that Miss S would've likely benefited from some, if not all, of the £5,000 that remained in her joint current account. Given the nature of the transactions, and the length of time, it's not going to be possible for me to make a reasonable distinction between what specifically benefited her, and what didn't. I see that this would be beyond the scope of our service's remit as a quick and informal alternative to the courts.

Whilst I appreciate Tesco Bank received contact from someone claiming to be Miss S' ex-partner, admitting to taking out the loan fraudulently, this service can't make directions that affect a third party who isn't party to the complaint. Therefore, I can't reasonably say that Tesco Bank should pursue Miss S' ex-partner for the remaining balance of this loan. Our investigator asked Tesco Bank if it was willing to take any action as a result of the contact it received, however it said no - on the basis it believed Miss S was aware of the loan application. If Tesco Bank changes its position after receiving this final decision, then it should speak with Miss S about that separately.

Putting things right

As I find Miss S didn't enter into the loan agreement herself, or consented to someone else doing so on her behalf, I require Tesco Bank to:

- Remove all interest and charges from the outstanding balance of the loan.
- Only pursue Miss S for £5,000 of the loan funds, rather than the full amount outstanding.
- Take any payments already made towards the loan off of the remaining balance.
- Remove all information about the loan from Miss S' credit file.

My final decision

My final decision is that I uphold this complaint in part and direct Tesco Personal Finance Limited to settle it as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 27 June 2025.

Lorna Wall
Ombudsman