

The complaint

Ms R complains that Tesco Personal Finance Limited, trading as Tesco Bank, fell short of their Consumer Duty requirements when they declined her application for a loan. She also says they were wrong to reject her application.

What happened

Ms R applied for a loan with Tesco Bank on 11 July 2024. The loan was approved, and Ms R was told the money was on its way. She was disappointed to receive further correspondence on 15 July 2024 telling her the loan had now been declined.

Ms R complained to Tesco Bank. She said they had fallen short of their requirement under the Financial Conduct's Consumer Duty Regulations, specifically in respect of Consumer Understanding. And she also explained that she believed the address details recorded by one of the Credit Reference Agencies was wrong and that may have been why her application was rejected.

Tesco Bank explained that the reason they declined Ms R's application was because it did not meet their opening criteria. They offered Ms R £100 in respect of the distress and inconvenience caused.

Our investigator thought that compensation was sufficient, but Ms R remained unhappy. She didn't think Tesco Bank, or our investigator, had properly investigated her Consumer Duty concerns. She explained that it had taken them too long to contact her, that the reasons for the compensation hadn't been adequately explained and that they hadn't explained why the application was first approved and then declined. She asked for a final decision by an ombudsman.

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.

I know it will disappoint Ms R, but I think Tesco Bank have been reasonable here. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

It must have been confusing and frustrating for Ms R to receive an email telling her the money was on its way and then, only a few days later, to receive another telling her the application had been declined. There was no hint in the first email that further checks would

be conducted, and I can understand that some distress will have been caused by the subsequent refusal. I can't see that Tesco Bank did consider, in any detail, Ms R's Consumer Duty concerns. Tesco Bank have now offered Ms R £100 in compensation in relation to the issues she experienced. Ms R says the reason why they have provided that compensation hasn't been clear and I'd accept that. But considering the issue as a whole I think £100 is reasonable compensation.

I understand that Ms R believes some of the information reported on her credit file is inaccurate. That doesn't appear to be information reported by Tesco Bank and it wouldn't be fair for me to hold them responsible for errors made by other, unrelated, organisations. I can't say that Tesco Bank were unreasonable to review the information available to it at the point of application.

In respect of Consumer Duty the bank has a responsibility to give consumers the information they need, at the right time, and presented in a way they can understand, so that they can make informed decisions.

The Standards of Lending Practice set out by the Lending Standards Board says:

"PS4. If the customer's application is declined firms should, where possible, inform the customer of the main reason for this.."

Tesco Bank explained to Ms R that their main reason for rejecting her credit application was that it didn't meet its opening criteria. I think that was the main reason for the decline and I don't think it needed to explain in any more detail, as to do so would risk giving consumers, like Ms R, sensitive commercial information about how their systems work. That could lead to their processes being manipulated in the future.

I'm not persuaded that the business failed to meet its Consumer Duty obligations in respect of Consumer Understanding and, overall, I'm persuaded that they have offered sufficient compensation for the distress and inconvenience caused.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 3 February 2025.

Phillip McMahon
Ombudsman