

The complaint

Mr G complains that Tesco Personal Finance Limited trading as Tesco Bank lent irresponsibly when it approved his credit card application.

What happened

Mr G applied for a Tesco Bank credit card in May 2023. Mr G's application said he was employed with a monthly income of £2,200 after deductions that Tesco Bank says it verified via a service provided by the credit reference agencies. Tesco Bank carried out a credit search and found Mr G had a total outstanding balance of £229 in other unsecured debt. Tesco Bank didn't find any recent missed payments but noted there were two historic defaults for low amounts on Mr G's credit file. No other adverse credit was found.

Tesco Bank says it applied estimates for Mr G's rent of £510 and his general living expenses of £585. Both figures were obtained from nationally recognised statistics. Tesco Bank also applied a monthly payment of £57 for Mr G's existing credit commitments in addition to a buffer of £159 a month. Tesco Bank says that Mr G had an estimated disposable income of £864 a month after meeting his outgoings. Tesco Bank approved Mr G's application and issued a credit card with a limit of £3,850. Mr G went on to use his credit card but says he was gambling around this time. Mr G says he ultimately borrowed more from other sources after being caught on a cycle of borrowing.

Last year, Mr G complained that Tesco Bank lent irresponsibly and it issued a final response. Tesco Bank said it had carried out the relevant lending checks and didn't agree it had lent irresponsibly by approving Mr G's credit card application.

An investigator at this service looked at Mr G's complaint. They asked Mr G to provide copies of his bank statements for the months preceding his application but they weren't supplied. Mr G provided copies of his payslips from the time of his application that showed he was earning £2,088 a month. Mr G also provided a recent copy of his credit file.

The investigator didn't uphold Mr G's complaint. They noted Tesco Bank had failed to provide evidence to show what it found on Mr G's credit file so weren't able to reach the conclusion it had carried out the relevant checks. While Mr G was earning slightly less than the figure Tesco Bank used in the application, without seeing his bank statements, the investigator wasn't able to get a picture of his outgoings or say what Tesco Bank would've found if it had taken a more detailed approach. The investigator wasn't persuaded that Tesco Bank lent irresponsibly based on the available information and didn't uphold Mr G's complaint.

Mr G asked to appeal, so his complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Tesco Bank had to complete reasonable and proportionate checks to ensure Mr G could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

When Mr G applied, he provided details about his circumstances including his employment and income. Mr G said he was employed with a monthly income of around £2,200. Tesco Bank carried out a credit search and says Mr G only owed a small balance, £229, to other creditors and was making modest monthly repayments. Tesco Bank's confirmed that whilst two older defaults for low amounts were noted on Mr G's credit file they weren't a barrier to lending. I also note Tesco Bank used statistical data to estimate Mr G's regular outgoings for his rent and general living expenses. In my view, the figures used for Mr G's outgoings were reasonable and realistic. I haven't seen anything that would've indicated to Tesco Bank Mr G was struggling financially or unable to sustainably afford a credit card.

On the face of it, I think the level and nature of Tesco Bank's lending checks were proportionate to the credit card application Mr G made. But, Tesco Bank didn't forward the credit file information it says it found. As I haven't seen the credit file evidence, I can't safely conclude the checks were reasonable so I agree with the investigator's approach in asking Mr G for some additional information, like his bank statements.

Mr G wasn't able to provide copies of his bank statements which would've given us a clearer view of Mr G's income and outgoings. And, as noted above, I think the outgoings used by Tesco Bank appear reasonable. In the absence of other information, I've used those figures. Mr G forwarded evidence of his income which was slightly lower than the application figure at £2,088. But, even reducing the estimated disposable income by the difference of £112, that would've still left Mr G with around £750 a month after meeting his regular outgoings. I think a disposable income at that level would be sufficient to sustainably afford repayments to a new credit card with a limit of £3,850. In my view, if Tesco Bank had received Mr G's payslips during the application process I think it's more likely than not that it would've still approved his credit card application with a limit of £3,850.

I'm very sorry to disappoint Mr G but based on the information available I haven't been persuaded that Tesco Bank lent irresponsibly. As a result, I'm unable to uphold Mr G's complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Tesco Bank lent irresponsibly to Mr G or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 26 March 2025.

Marco Manente
Ombudsman