

The complaint

Mr C complains that Tesco Personal Finance Limited ("Tesco") irresponsibly provided him with a loan.

What happened

In April 2024 Mr C applied for a loan with Tesco. The application was approved and he was given a £7,500 loan to be repaid over 60 months at a monthly cost of £181.11.

Mr C complained to Tesco in May 2024. He said he believes Tesco have taken advantage of his circumstances and caused him harm. Mr C has been open about his gambling addiction and has said he's struggled with this since he was 18. He said when he took out the Tesco loan he had relapsed, and at no point throughout the application was he asked if he was vulnerable or if he gambled.

He also said he had been in a Debt Management Plan (DMP) in the past which Tesco ought to have been aware of, and he feels the lending should never have been approved. Mr C wants the balance written off.

Tesco responded to the complaint in September 2024, rejecting the complaint. They said the checks they completed showed Mr C had around £3,500 in external debt, and he'd declared he was earning around £4,000 per month. There was a default but it was historic. Ultimately, they were satisfied the checks were proportionate and a fair decision to lend was made.

Mr C was unhappy with the response so he referred the complaint to our service. An Investigator here looked into things. They said the checks were proportionate. They acknowledged Mr C had taken out other debts very close to the Tesco loan, but that wasn't yet present on his credit reference agency (CRA) data and therefore Tesco wouldn't have known. Therefore, they were satisfied Tesco made a fair decision to lend.

Because an agreement couldn't 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.

Having done so, I'm in agreement with the Investigator. I know this is likely to come as a disappointment to Mr C, so I'll explain my reasoning below.

I want to begin by saying that it's very clear to me just how important this matter is for Mr C. He has set out his position in great detail and has provided lots of supporting information. I think it's important I explain that whilst I have read and considered all the information provided by both parties, I've outlined my findings in considerably less detail. I don't mean any discourtesy by this, rather this reflects the informal nature of our service.

The rules and regulations in place at the time Tesco provided Mr C with the loan required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Tesco had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr C. In other words, it wasn't enough for Tesco to consider the likelihood of them getting the funds back or whether Mr C's circumstances met their lending criteria – they had to consider if Mr C could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Tesco did what was needed before lending to Mr C.

When Mr C applied for the loan, Tesco gathered information regarding his financial circumstances. It recorded that Mr C was earning a monthly income of around £4,000 per month and had outstanding debt of around £3,500. Mr C had defaults at the time of application, but the most recent was recorded 64 months prior. This was collated using the information Mr C declared at application, and an external credit check.

I believe the checks Tesco carried out were proportionate, and considering the amount being provided to Mr C, and the information they gathered in these checks, I don't think they acted unfairly when providing him with the loan. I say this because the monthly repayment amounts when compared with Mr C's monthly income and expenditure were modest, and although there were some signs of financial difficulty in the past, everything in recent months had been much improved. It wouldn't be a significant cost for Mr C to repay this credit in a reasonable period of time based on his income and existing credit commitments.

I understand Mr C was spending in a harmful way, but this wasn't evident yet on the credit file Tesco obtained at the point of application, so there was nothing to suggest the loan would be unaffordable for him.

I note Mr C's points regarding the difficult time he had – and I thank him for sharing. I understand the devastating impact of his gambling addiction, and this loan has directly contributed to this. But it would be unreasonable for me to conclude the business was solely responsible, and as a Service, we're not punitive. We consider the obligations a business had at the time, and what is expected of them. And having done so, I can't agree Tesco have acted unfairly here.

In reaching my conclusions, I've also considered whether the lending relationship between Mr C and Tesco might have been unfair to Mr C under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Tesco did not lend irresponsibly when providing Mr C with the loan. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mr C, I won't be upholding his complaint against Tesco for the reasons explained above.

My final decision

It's my final decision that Tesco Personal Finance Limited didn't treat Mr C unfairly when providing him with a loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 September 2025.

Meg Raymond
Ombudsman