

The complaint

Miss G complains that Tesco Personal Finance PLC ('Tesco'), trading as Tesco Bank, irresponsibly agreed to give her credit with a credit card that she couldn't afford.

What happened

In July 2022 Miss G was accepted for a credit card with Tesco and given a credit limit of £5,800.

Miss G has complained to Tesco to say that the account shouldn't have been opened for her given that it was unaffordable, putting her into a spiral of debt, and Tesco should have realised this from its checks.

Our investigator at first didn't think the complaint should be upheld. But having reviewed further evidence and information from Miss G, our investigator recommended that the complaint be upheld.

In my provisional decision dated 21 February 2025, I explained why I wasn't intending to uphold Miss G's complaint. Essentially, having looked at all the available evidence and information, I wasn't persuaded that the information Tesco obtained from Miss G's application as well as its own checks, ought to have prompted it to act differently than it did – in other words, that it ought to have reconsidered whether to grant Miss G the new credit.

I set out an extract below:

"Miss G's complaint is that Tesco made credit available to her that was unaffordable. Tesco has explained that it relied in part on information that Miss G provided at the time of her application to assess affordability. Tesco accepted what Miss G told them in her application, saying that she was in full-time employment and receiving a net monthly income of around £2,800. She also said she was living at home.

Tesco carried out a credit search in Miss G's name to assess her level of debt and credit history. This was done to help Tesco to understand how she had been managing her debt and to see if there were any adverse markers in her credit history. Based on these checks, Tesco was then able to make its own assessment of the likely affordability of the credit, using its own scoring metric.

Tesco's credit checks showed that Miss G owed around £13,500 in credit, of which around £10,500 was from existing loans. She was shown as being up to date with credit her payments and there were no other adverse markings showing on her credit file. When I say this, I mean that Miss G's management of her existing credit showed no recent adverse history, such as late payments, account defaults or county court judgments.

In terms of affordability, Tesco relied on statistical data to calculate that she'd likely be contributing around £550 per month towards household costs.

So, it seemed from the credit and affordability check information that Tesco obtained that Miss G would be able to afford to manage and sustainably repay the new credit, having sufficient disposable income to be able to do so. Tesco appeared to have little reason to make further enquiries into Miss G's expenditure at that time, based on the information it was provided with by Miss G and also as a result of the information it had obtained from its own checks. And so, I wouldn't conclude that Tesco was put on notice of any reason not to agree the lending from that, or that better checks were needed.

I've seen that our investigator thought that Tesco should have carried out further checks. To help establish what Tesco might have found, Miss G provided us with bank statements from the months leading up to the credit being granted. I've reviewed these – as did our investigator – noting Miss G's regular committed expenditure and evidence of credit payments. For the most part, Miss G kept her account in credit, managing her income and both regular and non-regular expenditure without any significant suggestion that her financial situation was or might be at risk of deterioration if she took on a new credit commitment. She appears to have had sufficient disposable income available to her each month to allocate towards sustainably meeting payments on the new card.

Miss G says her financial circumstances were worsening prior to being given the card. She says she was in payment arrangements with another credit card lender as well as in relation to a car finance agreement. She also said she'd taken out three loans between February and April 2022. Miss G says against this background Tesco shouldn't have lent to her.

Having reviewed a copy of Miss G's credit report, our investigator noted that Miss G was in an arrangement to pay another credit provider. That arrangement goes back to April 2021 and Miss G had been meeting the payments since then without any issues. She also found that Miss G had 'rolled over' one loan into a larger one in February 2022, taken out with a high-cost lender. I have seen that this was used to pay off another loan and provide some additional funds to Miss G for a specific item. Miss G also took out two loans in April 2022 which were settled in June 2022. This looks to have been achieved by way of a larger unsecured loan of around £17,000 which I understand was chiefly taken in order to consolidate existing credit.

I agree with our investigator that we wouldn't necessarily have expected Tesco to have an awareness of the June 2022 borrowing, given that it can take several weeks for credit files to update. So I don't consider it would be reasonable to apportion blame against Tesco for not relying on information that wasn't apparent from its own credit checks. I have to look at the information that was available to Tesco at the time it made its lending decision and not to use hindsight. Tesco was not made aware – and couldn't reasonably have been expected to be aware - of the most recent borrowing at the time Miss G was applying for the card.

As things stand, I've reached a different overall finding, though. I have seen insufficient evidence that the information that Tesco acquired or had presented to it at the time of the lending decision, would have led them to think that they were remiss in not carrying out further checks before concluding that the new card was likely to be affordable. And even if they had carried out such further checks, I am not currently convinced they would have revealed information that may have affected Tesco's decision to agree to grant the credit. I say this taking into account what I've seen, having reviewed Miss G's bank statements and her credit report as well as having seen information relating to other complaints she has made to this service about irresponsible lending.

To summarise, the evidence and information I've seen suggests that, whilst Miss G was without doubt placing a significant reliance on borrowing, the information she gave Tesco as part of her application, combined with what Tesco saw in its searches, was broadly representative of Miss G's financial situation and therefore her ability to repay the new

lending in an affordable and sustainable way. I acknowledge that there may be some variance in the figures Tesco relied upon due to Miss G settling some existing borrowing and taking on new borrowing at around the time of the lending decision. But I haven't seen enough evidence for me to make a finding that Tesco was making credit available to Miss G that looked likely to be unaffordable.

I would add that the card was taken out with the benefit of a promotional transfer rate, providing an opportunity for Miss G to transfer an existing credit balance to a lower rate if she wished to. It's reasonable to think that Miss G was aware of that at the time, but she chose not to use her new card for that purpose. Instead, it looks as if the new credit was used immediately, primarily for a money transfer that attracted a higher interest rate. If Miss G's circumstances changed soon after she got her new card, that's not something I can reasonably expect Tesco to have known about."

Responses to my provisional decision

Miss G provided a response to my provisional decision on 3 March 2025, which was ahead of the deadline I'd set of 7 March. Unfortunately, for reasons that are unclear, neither myself nor our investigator received it. I had arranged for the file be closed in line with our post-provisional decision process but have now re-opened it, after Miss G contacted us again to find out what had happened. I do apologise for the concern this has caused Miss G.

To summarise, Miss G has made the following points:

- That Tesco ought to have built a more detailed picture of her financial situation. Had it done so it would have been aware of at least three of the four loans she'd taken out in 2022, as well as the payment arrangements she had agreed with a car finance lender and for an existing credit card.
- That the information about these arrangements on her credit file ought to have prompted Tesco to seek further information.
- That even though she was maintaining payments, that still doesn't mean she wasn't struggling financially. This ought to have been enough for Tesco to realise the new card would be unaffordable.
- That her credit report shows she was in a spiral of debt and using debt to repay existing debt. So it was unreasonable to grant her further credit.
- That had Tesco carried out further checks, such as reviewing her bank statements, it would have seen that she was spending more than her income and was reliant on additional income from her parents. Therefore, Tesco would have seen she wasn't a suitable candidate to lend to.

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 think the issues that have been raised by Miss G are ones I've talked about in my provisional decision. But I am grateful for Miss G taking the time and trouble to respond, so I will comment on them, albeit fairly briefly.

Our investigator has said that Tesco didn't carry out reasonable and proportionate checks. I thought the checks Tesco carried out were sufficient and that Tesco had made a fair lending

decision based on the information, credit and affordability details it had available to it at the time. I went on to say, having seen Miss G's bank statements, that I agreed that Miss G appeared to have sufficient disposable income to be able to meet the repayments on the new card. When saying that, I meant that to be the case even if she were to use the full level of her new available credit.

Our investigator decided to uphold the complaint, having seen information Miss G had sent her about her credit file, showing the arrangement to pay in place with another credit provider and also for a car hire purchase agreement. However, the checks Tesco carried out showed Miss G to have what it considered to be a very good credit score. This was evidenced by a good credit history with no record of adverse data such as defaults, county court judgments or bankruptcy. The checks also showed loans of £10,420 and other credit of £3,078. They did not reveal any payment arrangements. Tesco obtained this information from several credit reference agencies, and it reflected the information that could be gathered at the time. Miss G's application therefore passed Tesco's credit checks.

From Tesco's perspective therefore, there was little to suggest from the credit check she was overindebted or that she was at risk of falling into spiralling debt. Tesco's affordability assessment, using statistical data to work out housing costs alongside her existing credit commitments and new card, found that she was likely to have a disposable income of around £890 each month. This looked to be enough to support Miss G being in a position to sustainably repay her new credit.

I therefore remain satisfied that Tesco carried out reasonable and proportionate checks at the time and made a fair lending decision based on the information it saw. So I would not have expected Tesco to have been prompted to do anything more.

Unfortunately, I know it's likely that Miss G will remain disappointed by my finding. But having again considered all the available evidence and information, especially from the time of the lending decision, I have not found enough to change my decision.

I've also considered whether the relationship between Miss G and Tesco 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 lent irresponsibly to Miss G or otherwise treated her unfairly. I haven't seen anything else to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, my final decision is not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 23 April 2025.

Michael Goldberg

Ombudsman