

Complaint

Mr T has complained about a credit card Tesco Personal Finance Limited (trading as “Tesco Bank”) provided to him. He says the credit card and limit increases should not have been provided to him as they were unaffordable.

Background

In March 2022, Tesco Bank provided Mr T with a credit card which had a limit of £250. Mr T’s credit limit was increased to £600 in January 2024 and then £900 in April 2024.

One of our investigators reviewed what Mr T and Tesco Bank had told us. And she thought Tesco Bank hadn’t done anything wrong or treated Mr T unfairly in relation to providing the credit card or increasing the credit limit. So she didn’t recommend that Mr T’s complaint be upheld.

Mr T disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr T’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr T’s complaint. I’ll explain why in a little more detail.

Tesco Bank needed to make sure it didn’t lend irresponsibly. In practice, what this means is Tesco Bank needed to carry out proportionate checks to be able to understand whether Mr T could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Tesco Bank says it initially agreed to Mr T’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr T would be able to make the monthly repayments due for this credit card. It says that due to Mr T’s account being relatively well managed he was then offered the subsequent credit limit increases.

On the other hand, Mr T says that he shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mr T was provided with a revolving credit facility rather than a loan. And this means that to start with Tesco Bank was required to understand whether credit limits of £250, £600 and £900 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that credit limits of £250, £600 and £900 did not require especially large monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen records of the information Tesco Bank obtained from Mr T about his income and what was on the credit search carried out. Tesco Bank says that Mr T declared that he was employed full time as a postman with earnings of approximately £2,000.00 a month.

At the time of Mr T's initial application, the credit checks showed that Mr T did have two defaulted accounts recorded against him. However, these were considered to be historic as they were from over a year prior to this application. Furthermore, Mr T didn't have any County Court Judgments ("CCJ") recorded against him.

Bearing in mind there wasn't anything in this information that was inconsistent or difficult to explain, I don't think that it was unreasonable for Tesco Bank to rely on what Mr T provided about his income and expenditure during his application. As this is the case and the information obtained suggested that Mr T could repay a balance of £250 within a reasonable period of time, I'm satisfied that the checks carried out before Mr T was initially provided with his credit card were reasonable and proportionate.

For the credit limit increases, it appears as though Tesco Bank relied on Mr T's account having been managed well in the period since it had been opened. From what I can see, there wasn't anything in the way of any significant adverse information on the credit searches Tesco Bank carried out. Although it is also fair to say that Mr T's external debt had increased by the time of the first limit increase before it reduced ahead of the second one.

Furthermore, while I've seen what Mr T has said about struggling and his additional spending, there isn't anything in Mr T's Tesco Bank credit card transactions that suggested this was the case. So although I think that there were some potential signs that Tesco Bank needed to monitor going forward, for example Mr T's use of the additional credit, once the limit increases were granted, I'm satisfied that it was reasonable for Tesco Bank to conclude that Mr T was in a position to afford the increased payments required for the credit limit increases.

For the sake of completeness, I'd also add that even if I were to conclude that the checks carried out prior to the limit increases weren't sufficient, I don't think that Tesco Bank would have made a different decision even if it had asked Mr T for more information. I say this because at the absolute most it could be said that Tesco Bank ought to have asked Mr T more about his actual living costs rather than relied on estimates of this. And I don't think that the issue here was Mr T's regular living costs.

I accept that the bank statements Mr T has now provided us with show significant amounts of payments that are being made through a third-party. I accept that it is possible – but by no means certain – that if Tesco Bank had seen what Mr T has provided now, it may have made a different decision on whether to lend. However, Tesco Bank wasn't aware of Mr T's additional spending.

Given the circumstances here as well as what I think what, at the absolute most, Tesco Bank needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements from Mr T – indeed bank statements weren't the only way that Tesco Bank could find out about Mr T's living expenses in the first place. This is especially when keeping in mind that the most recent of Mr T's defaults will have taken place more than three years prior to the credit limit increases and the maximum amount he could owe Tesco Bank on this credit card was £900.

In reaching my conclusions, I've also considered whether the lending relationship between Tesco Bank and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Tesco Bank irresponsibly lent to Mr T or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, while I can understand Mr T's sentiments, I don't think that Tesco Bank treated Mr T unfairly or unreasonably when providing him with his credit card or subsequently increasing his credit limit. And I'm not upholding Mr T's complaint. I appreciate this will be very disappointing for Mr T. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 April 2025.

Jeshen Narayanan
Ombudsman