

The complaint

Miss W complains Barclays Bank UK PLC trading as Tesco Bank (Tesco) failed to carry out a reasonable assessment of her credit worthiness before it approved a credit card account for her.

What happened

Miss W says Tesco approved a credit card account for her in July 2022 with a credit limit of £250, although at that time she had a history of late payments, excess limits and other indebtedness outstanding at that time. Miss W says Tesco failed to carry out its obligations to perform sufficient financial checks before approving the credit card account, and the new borrowing was unaffordable.

Miss W wants Tesco to refund all interest and charges on the account, along with 8% simple interest and remove any adverse entries on her credit file relating to this account.

Tesco says Miss W applied for a “foundation” credit card account designed for customers with a less than perfect credit background, looking to build their credit rating. Tesco say before approving the credit card account it used information declared in Miss W’s application and verified this by using data from the credit reference agencies (CRA’s) and from the Office of National Statistics (ONS). Tesco says this data confirmed Miss W’s income and it then modelled her expected expenditure, showing she had a strong net disposable income.

Tesco says it took into account the fact there was a default and missed payments registered against Miss W, but these were historic and her external outstanding debt was low and affordable. Tesco feel the checks it undertook at the time were proportionate for the level of borrowing it approved.

Miss W wasn’t happy with Tesco’s response and referred the matter to this service.

The investigator looked at all the available information but didn’t uphold the complaint. The investigator pointed out that there are no set rules as to what checks a lender like Tesco must perform, but these must be borrower focussed, taking into account the amount, term and type of lending.

The investigator says from the information she had seen, Tesco used a wide range of sources to undertake its credit worthiness checks including the details contained within Miss W’s application and data from CRA’s and the ONS. The investigator says these checks confirmed Miss W’s income of around £1,350 per month and the affordability assessment showed a strong net disposable income (NDI) of around £390 per month. The investigator noted that although there were missed payments evidenced in the checks, these were now up to date and the defaults were historic, so saw no reason for Tesco not to approve a modest £250 credit facility. The investigator concluded Tesco had carried out proportionate checks before it approved the credit card account for Miss W.

Miss W didn’t agree with the investigator’s view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Miss W is experiencing financial issues and that must be a source of worry to her. When looking at this complaint I will consider if Tesco acted responsibly when it approved the credit card account for Miss W, and if it carried out reasonable and proportionate checks before doing so.

Miss W's complaint centres around the fact Tesco failed to meet its obligation to carry out a reasonable assessment of her credit standing before it approved the £250 credit limit in July 2022. Miss W maintains if it had done so, it would have seen the new borrowing was unaffordable.

While I understand the points Miss W makes here, I'm not fully persuaded by her argument and I will go on to explain why.

As the investigator pointed out, there are no set rules as to what checks lenders like Tesco must undertake before approving credit facilities to its customers, but I would expect these to be borrower focussed taking into account the amount, type and term of the lending. It's worth saying that it's not my role to tell banks where the sources of those checks must come from.

The first thing to say here is Miss W applied for a Tesco "foundation" credit card account - this is designed for consumers with perhaps a less than perfect credit background, taking into account things don't always go to plan, but allows those consumers to build up a decent credit rating overtime.

Here I can see from the information available, Tesco carried out various credit background checks using data and information from CRA's, ONS, its own internal affordability modelling and the declared income form Miss W's application at the time. While the information and data showed some evidence of late payments and a historic default, these were considered and factored into Tesco's lending decision, but it also took into account Miss W's strong NDI and low levels of external debt to income.

It's reasonable to say here that I wouldn't expect in these circumstances for Tesco to undertake the same level of intensive due diligence one might expect to see for say a larger committed long term loan. So, I'm satisfied from the affordability modelling Tesco carried out based on internal and external data sources, that was sufficient for it to conclude the new lending was affordable, given the modest amount being approved.

So, I am satisfied on balance, there was no need for any further financial information to be sought before Tesco approved the credit facility of £250 and the checks it undertook were reasonable and proportionate and the borrowing looked affordable.

It's also fair to say that the type of modest lending facility approved was well suited to the "foundation" credit card account Tesco offered here.

I've also considered whether Tesco acted unfairly or unreasonably in some other way given what Miss W has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the

case.

While Miss W will be disappointed with my decision, I won't be asking anymore of Tesco here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 21 August 2025.

Barry White
Ombudsman