

The complaint

Miss E complains that Barclays Bank UK PLC trading as Tesco Bank irresponsibly lent to her.

Miss E is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Miss E herself.

What happened

Miss E was approved for a Tesco credit card with a £1,500 credit limit in April 2023. The credit limit was increased to £3,500 in January 2024. She says Tesco irresponsibly lent to her. Miss E made a complaint to Tesco, but they did not uphold her complaint. They said their lending decisions were fair and responsible. Miss E brought her complaint to our service.

Our investigator did not uphold Miss E's complaint. He said Tesco's checks were proportionate, and they made fair lending decisions. Miss E asked for an ombudsman to review her complaint. She said she had seven defaulted accounts and the £131 a month disposable income was marginal.

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 approve the credit available to Miss E, Tesco needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Tesco have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Tesco credit card

Miss E declared a gross annual income of £16,000 which Tesco calculated to be around £1,200 net a month. But the checks also showed that Miss E had previously defaulted on seven accounts, with the last default showing as being registered 59 months prior to her application.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Tesco completed, to see if they made a fair lending decision here.

The Credit Reference Agency (CRA) that Tesco used reported that Miss E had unsecured

debt totalling £1,031. So at the point of the checks, Miss E had around 6.4% of unsecured debt compared to her gross annual income she declared.

Tesco used a mixture of information from the CRA and modelling to estimate Miss E's outgoings, and they calculated that she had enough disposable income to be able to sustainably afford repayments for a £1,500 credit limit.

I've considered what Miss E has said about her monthly disposable income being marginal. But while £131 a month disposable income may seem low, I do note that the £131 figure is after Tesco deducted sustainable repayments for the account, and it included inflation in their calculation.

In addition to this, Miss E indicated that she wanted to complete a balance transfer, so it would be proportionate for Tesco to expect Miss E to use some or all of her credit limit to reduce her debt elsewhere, therefore I wouldn't expect her to be making the same repayments to her other credit card if she transferred some or all of her balance to the Tesco account, so this should increase her disposable monthly income further.

The CRA also reported that Miss E had no County Court Judgements (CCJ's) and she didn't have any Individual Voluntary Arrangements or bankruptcies. So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision here.

January 2024 credit limit increase - £1,500 to £3,500

A CRA verified that Miss E was receiving around £1,380 net a month income. Miss E's total active unsecured debt was being reported to be £2,281, which was not significantly higher than at the account opening stage. Miss E was utilising 30% of the total credit available to her, so it did not appear that she was hungry for credit.

No new defaults or CCJ's were being reported by the CRA's, no arrears were showing on any active accounts, and she hadn't been in arrears on her active accounts in the six months prior to these checks.

Tesco would have also been able to see how Miss E managed her account prior to the credit limit increase. After reviewing her credit card statements since the account opening, I couldn't locate any late or overlimit fees. Miss E frequently paid higher repayments than the minimum requested repayment, which could indicate she had the affordability to make higher repayments for a higher credit limit.

Tesco again completed an affordability assessment. This showed that Miss E would have a sufficient disposable income in order to make sustainable and affordable repayments for a £3,500 credit limit. So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit to £3,500.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Tesco lent irresponsibly to Miss E or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept

or reject my decision before 17 September 2025.

Gregory Sloanes
Ombudsman