

The complaint

Mr H complains that Barclays Bank UK PLC trading as Tesco Bank have irresponsibly lent to him.

Mr H 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 Mr H himself.

What happened

Mr H was approved for a Tesco credit card in April 2019 with a £250 credit limit. I have detailed the credit limit changes below:

August 2019	£250 to £500
February 2020	£500 to £700
February 2021	£700 to £1,000
June 2021	£1,000 to £1,300

Mr H says Tesco irresponsibly lent to him. Mr H made a complaint to Tesco, who did not uphold his complaint. Mr H brought his complaint to our service. Our investigator did not uphold Mr H's complaint. Our investigator said that the lending decisions were fair.

Mr H asked for an ombudsman to review his complaint. He made a number of points. In summary, he said his credit file had documented arrears and payday loan usage in the 12 months prior to applying for the Tesco credit card. He said he just opened a £7,900 personal loan just prior to the Tesco credit card which affected his affordability materially. Mr H said Tesco didn't complete verified affordability checks despite warning signs, and there was a cumulative burden on him from the multiple credit limit increases.

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 or increase the credit available to Mr H, Tesco needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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

I've looked at what checks Tesco completed as part of this lending decision. I'll address the future lending decisions later on. Mr H declared a gross annual income of £34,000, which Tesco calculated to be around £2,270 a month. But the checks also showed that Mr H had

previously defaulted on credit agreements, with the last default showing as being registered 53 months prior to his application. There was also a County Court Judgement (CCJ) showing on his credit file.

It may help to explain here that, while information like a default or a CCJ 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 Mr H had unsecured debt totalling £11,875, but £1,944 of this was showing as revolving credit (such as credit cards/store cards/overdrafts). So at the point of the checks, Mr H had around 5.7% of revolving credit compared to his gross annual income he declared.

Tesco used a mixture of information from the CRA and modelling to estimate Mr H's outgoings, and they calculated that Mr H had enough disposable income to be able to sustainably afford repayments for a £250 credit limit.

The credit limit was around 0.7% of his declared gross annual income, and if this was combined with his existing £1,994 of revolving debt, this would equate to 6.6% of his declared gross annual income.

The CRA reported that Mr H had no Individual Voluntary Arrangements (IVA's) at the time of the checks. The CRA did not report any arrears for the six months prior to the checks. I've considered what Mr H has said about him taking out a new loan prior to the Tesco credit card. But it can take a credit file typically 4-6 weeks to update, so I can't fairly say that Tesco would have known that Mr H had just opened an account. And it wouldn't have been proportionate for them to have made further checks here.

So I'm persuaded that Tesco's checks were proportionate and that Tesco made a fair lending decision to approve a £250 credit limit for Mr H.

August 2019 credit limit increase - £250 to £500

I've looked at what checks Tesco completed as part of this lending decision. The CRA that Tesco used for this lending decision reported that Mr H had unsecured debt totalling £11,354, which was lower than at the account opening checks.

Tesco completed an affordability assessment using a mixture of information from the CRA and modelling to estimate Mr H's outgoings, and they calculated that Mr H had enough disposable income to be able to sustainably afford repayments for a £500 credit limit.

Tesco would also have been able to see how Mr H managed his account since it had been opened. Mr H incurred no overlimit or late fees, and he often paid more than his minimum repayment that was requested, which could suggest he had the affordability to sustainably make repayments for a higher credit limit. The CRA reported Mr H had no recent arrears on his active accounts.

So I'm persuaded that Tesco made a fair decision to increase Mr H's credit limit as part of this lending decision.

February 2020 credit limit increase - £500 to £700

I've looked at what checks Tesco completed as part of this lending decision. The CRA that Tesco used for this lending decision reported that Mr H had unsecured debt totalling £10,991, which was lower than the debt at the last lending decision.

Tesco again completed an affordability assessment using a mixture of information from the CRA and modelling to estimate Mr H's outgoings, and they calculated that Mr H had enough disposable income each month to be able to sustainably afford repayments for a £700 credit limit.

Tesco would also have been able to see how Mr H managed his account since the last lending decision. Mr H incurred a late payment fee but it appears that this was an oversight. I say this because Mr H made a repayment which was higher than his minimum repayment four days after he incurred the late payment fee. So if he was having financial difficulty here, I wouldn't expect him to be able to repay more than what he was required to pay Tesco.

Mr H incurred no overlimit fees since the last lending decision, and he often paid more than his minimum repayment that Tesco requested, which could suggest he had the affordability to sustainably make repayments for a higher credit limit. The CRA reported Mr H had no recent arrears on his active accounts, so I'm not persuaded that it would have been proportionate for Tesco to have completed further checks here.

So I'm persuaded that Tesco's checks were proportionate, and Tesco made a fair decision to increase Mr H's credit limit as part of this lending decision.

February 2021 credit limit increase - £700 to £1,000

I've looked at what checks Tesco completed as part of this lending decision. The CRA that Tesco used for this lending decision reported that Mr H had unsecured debt totalling £11,439, which was slightly higher than at the time of the last lending decision checks.

Tesco again completed an affordability assessment using a mixture of information from the CRA and modelling to estimate Mr H's outgoings, and they calculated that Mr H had enough disposable income each month to be able to sustainably afford repayments for a £1,000 credit limit.

Tesco would also have been able to see how Mr H managed his account since the last lending decision. Mr H incurred an overlimit fee since the last lending decision. But again, this appears to have been an oversight as he made a £50 payment four days later to bring his account within his credit limit. In the same statement period he made a further £50 repayment, which I wouldn't expect he would be able to make if he was having financial difficulty at the time.

Mr H incurred no late fees since the last lending decision, and he again often paid more than his minimum repayment that Tesco requested, which could suggest he had the affordability to sustainably make repayments for a higher credit limit. The CRA reported Mr H had no recent arrears on his active accounts. So I'm not persuaded that it would have been proportionate for Tesco to have completed further checks here.

So I'm persuaded that Tesco's checks were proportionate, and Tesco made a fair decision to increase Mr H's credit limit as part of this lending decision.

June 2021 credit limit increase - £1,000 to £1,300

The CRA that Tesco used for this lending decision reported that Mr H had unsecured debt totalling £12,238, which was slightly higher than at the time of the last lending decision checks.

Tesco again completed an affordability assessment using a mixture of information from the CRA and modelling to estimate Mr H's outgoings, and they calculated that Mr H had enough disposable income each month to be able to sustainably afford repayments for a £1,300 credit limit.

Tesco would also have been able to see how Mr H managed his account since the last lending decision. Mr H incurred no overlimit or late fees, and at times he paid more than his minimum repayment that Tesco requested. The CRA reported Mr H had again no recent arrears on his active accounts, so I'm not persuaded that it would have been proportionate for Tesco to have completed further checks.

So I'm persuaded that Tesco's checks were proportionate, and Tesco made a fair decision to increase Mr H's credit limit as part of this lending decision.

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 Mr H or otherwise treated him 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 Mr H to accept or reject my decision before 15 August 2025.

Gregory Sloanes
Ombudsman