The complaint

Mrs G complains that Barclays Bank UK PLC trading as Tesco Bank ("Tesco") lent to her irresponsibly when it provided her with a credit card account.

Mrs G is represented in her complaint but for ease I will refer to Mrs G in this decision when talking about her or her representative.

What happened

Mrs G was granted a credit card by Tesco on 27 January 2018 with an initial credit limit of £2,100. On 28 August 2019, the credit limit was increased to £3,100, on 1 November 2021 it was increased to £5,100 and finally on 4 April 2024 it was increased to £7,100.

In August 2024 Mrs G complained to Tesco that it had lent to her irresponsibly.

On 24 August 2024 Tesco issued Mrs G with a final response letter ("FRL"). Within the FRL, Tesco explained how it had assessed the affordability of the original credit card limit and increases and said it didn't consider it had lent irresponsibly.

Unhappy with the FRL from Tesco, Mrs G brought her complaint to us on 2 January 2025.

Mrs G's complaint was considered by one of our investigators who upheld it because they didn't think the credit was affordable for Mrs G.

Tesco didn't agree with our investigator's findings and so the complaint has been passed to me for review and 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've reached the same conclusion as that of our investigator and for broadly the same reasons.

I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mrs G's complaint.

Having carefully thought about everything I've been provided with, I'm upholding Mrs G's complaint. I'd like to explain why in a little more detail.

Tesco's decision to grant Mrs G an account in January 2018

Tesco was required to lend responsibly. It needed to conduct checks to make sure that the credit it offered to Mrs G was affordable and sustainable. Such checks need to be proportionate to things like the credit limit offered to Mrs G and how much she had to repay each month.

This means to reach my decision I need to consider if Tesco carried out proportionate checks at the time of Mrs G's application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown. The regulations regarding assessing affordability meant Tesco must assume that the borrower draws down the entire credit limit at the earliest opportunity and repays it at the earliest opportunity over a reasonable period. So Tesco ought to have thought about whether Mrs G could afford to pay back the full amount of the credit limit over a reasonable period.

What's important to note is that Mrs G was provided with a revolving credit facility rather than a loan. So Tesco needed to assess Mrs G's affordability in the first instance and then whether she could sustainably afford to repay the £2,100 limit within a reasonable period of time, rather than all in one go. The only guidance within the regulations about what constitutes a reasonable period of time is that the lender should have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit.

As part of Mrs G's application, she declared that she was employed part time, living as a council tenant and taking home £750 net a month. Tesco told us that this information was verified by a credit reference agency (CRA).

Tesco says it conducted a credit check to determine whether to lend to Mrs G. Tesco, from the credit checks it conducted and the information Mrs G provided, assessed her expenditure to be in the region of £622 leaving Mrs G with a net disposable income of just £128 a month.

Tesco said there wasn't any adverse information on Mrs G's credit file and a limit of £2,100 appeared affordable for her. However, although from what Tesco told us that Mrs G didn't have any significant adverse information such as defaulted accounts or county court judgements recorded against her at the time she applied for the limit (and which on the face of it suggests Mrs G was reasonably managing the credit she had already been provided with), I don't think the checks conducted by Tesco were proportionate, given the amount of credit it initially agreed and taking into consideration the low monthly income of Mrs G.

But in any case, I agree with our investigator that from the information that Tesco initially found out, I don't think the credit offered was either affordable or sustainable.

Mrs G had an outstanding credit debt balance of £5,872 consisting of £5,579 on outstanding loans and £293 of revolving credit. Tesco assessed her overall monthly credit repayments to be approximately £207. And given that Tesco assessed her overall expenditure each month to be £622, this would have meant other living costs in the region of £415 a month. Although these figures didn't take into consideration the additional monthly cost of the new credit card limit, Tesco concluded that Mrs G had sufficient disposable income in which to afford the additional monthly repayments. But I don't agree.

I say this as had Mrs G immediately used the entire credit limit, which Tesco should have assumed she would do before making their lending decision, Mrs G would have had to repay £2,100 over a reasonable period of time. And as explained above, the 'reasonable period of time' should be akin to the same as loan repayments for a similar amount. So I consider a reasonable period of time for this amount to be 12-18 months. Taking the more conservative period of 18 months, which would mean Mrs G would have to pay back at least £116 a month on top of any interest and charges that could be incurred. Given that Tesco assessed Mrs G's total monthly expenditure to be £622 and a net disposable income of £128 that would have given Mrs G potentially only £12 left for emergencies after the additional credit card repayments which I don't consider affordable or sustainable.

Tesco argue that Mrs G subsequently managed her account well – but it doesn't know how she did this and how she was funding her repayments. So this doesn't change my conclusions.

So on balance, I'm not satisfied that Tesco's checks were proportionate and I don't think it made a fair lending decision in January 2018 and I uphold this complaint.

And as I don't think Tesco made a fair lending decision initially, it follows that I don't think the subsequent increases were fair either.

Although I intend to uphold this complaint, I'd also like to remind Tesco of its responsibility to treat Mrs G with due consideration and forbearance going forward and I genuinely hope that Mrs G's financial situation improves.

Did Tesco act unfairly in any other way

I've also considered whether Tesco acted unfairly or unreasonably in any other way, including whether the relationship between Mrs G and Tesco might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that what I direct below results in fair compensation for Mrs G given the overall circumstances of her complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

As I consider Barclays Bank UK PLC trading as Tesco Bank treated Mrs G unfairly, it needs to take steps to rectify matters from the initial granting of the credit card in January 2018.

When we consider a consumer shouldn't have been given credit, our usual approach is to ask the business to refund the interest and charges added to the borrowing that shouldn't have been given. So for this complaint, this means removing all interest and charges applied to any balances Mrs G accrued since the card was approved in January 2018.

To put things right Barclays Bank UK PLC trading as Tesco Bank need to:

- Rework the account removing all interest, fees and charges.

- If the rework results in a credit balance, this should be refunded to Mrs G along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclays Bank UK PLC trading as Tesco Bank should also remove all adverse information recorded after January 2018 regarding this account from Mrs G’s credit file, or

- Alternatively, if after the rework there is still an outstanding balance, Barclays Bank UK PLC trading as Tesco Bank should arrange an affordable repayment plan with Mrs G for the remaining amount. Once this outstanding balance has been cleared, any adverse information in relation to this account should be removed from Mrs G’s credit file.

*If HM Revenue & Customs requires Barclays Bank UK PLC trading as Tesco Bank to deduct tax from any award of interest, it must give Mrs G a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is I uphold this complaint and Barclays Bank UK PLC trading as Tesco Bank must compensate Mrs G in line with what I’ve directed under the heading ‘putting things right’.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs G to accept or reject my decision before 29 September 2025.

Paul Hamber
Ombudsman