

The complaint

Mr B complains that Barclays Bank UK PLC trading as Tesco Bank lent irresponsibly when it approved his credit card application.

What happened

Mr B applied for a Tesco Bank credit card in July 2019. In his application Mr B said he was earning £18,700 a year that Tesco Bank says left him with £1,320 a month after deductions. Mr B also said he was living with his parents. Tesco Bank carried out a credit search and found no evidence of any adverse credit, defaults or recent missed payments. All accounts in Mr B's name were up to date. The credit search showed Mr B owed £7,701 in existing debt. Tesco Bank applied its lending criteria and carried out an affordability assessment. Tesco Bank says Mr B's outgoings for his existing debts and living expenses totalled £1,063 a month, including the cost of servicing a new credit card, leaving a disposable income of around £257.

Tesco Bank approved Mr B's application and issued a credit card with a limit of £2,600. In August 2019 Mr B completed a balance transfer for £2,450 using a promotional interest rate. Tesco Bank started to apply interest to the credit card a year later and Mr B's payments were increased to £70.57 in September 2020. Between October 2020 and January 2021 Mr B made manual overpayments in addition to his regular payment of £70.57. The balance was repaid in January 2021.

More recently, Mr B complained that Tesco Bank lent irresponsibly and failed to show forbearance while the credit card remained open by suspending interest and charges being applied following annual reviews. Tesco Bank issued a final response and said it had carried out the relevant lending checks when looking at Mr B's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr B's complaint. They thought Tesco Bank should've taken a more detailed approach to Mr B's application. When the investigator looked at Mr B's bank statements they said the information showed he was able to sustainably afford repayments to his credit card. The investigator didn't think Tesco Bank had treated Mr B unfairly while his credit card retained an outstanding balance and didn't uphold his complaint. Mr B asked to appeal so his complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Tesco Bank had to complete reasonable and proportionate checks to ensure Mr B could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information that Tesco Bank used when considering Mr B's application above. I think the investigator made a reasonable point when he said Mr B's existing debts were £7,701 against an annual income of £18,700 and that would've been grounds to consider a more comprehensive set of lending checks. As I'm not persuaded the lending checks were proportionate I've looked at Mr B's bank statements for the three months before his credit card application with Tesco Bank was approved to get a clearer picture of his circumstances.

In his complaint, Mr B said a deeper review of his circumstances would've quickly shown he was overcommitted and had a high overdraft. But that's not the impression I got from Mr B's bank statements. I found Mr B earned an average of £1,291 a month in the three months before his application. Mr B's committed outgoings for items like his existing debts, DVLA payments and insurance came to an average of £636 a month. In that figure, I've included a £500 manual payment that Mr B made to another credit card provider in the March/April bank statement. Without including the £500 manual payment, Mr B's average outgoings came to £469 a month. Including the manual payment, Mr B had around £655 available each month after covering his existing outgoings for items like a regular payment of £125 paid by standing order, food, fuel and general living expenses. In my view, that amount was sufficient to cover Mr B's existing outgoings and sustainably make repayments to a new credit card with a £2,600 limit.

I think it's fair to note Mr B's current account wasn't overdrawn at any point in the three month period I looked at and his bank account was well administered. I didn't see evidence that Mr B was over committed or experiencing financial difficulties.

Whilst I haven't found Tesco Bank completed proportionate checks I haven't been persuaded it lent irresponsibly. In my view, if Tesco Bank had carried out better checks, like reviewing Mr B's bank statements, before agreeing to lend it would've most likely still decided to proceed.

I've also looked at Mr B's account after the application was approved. I can see Mr B quickly completed a balance transfer of £2,450 to the credit card and no interest was charged for a 12 month period. During that time, Mr B made payments of £25 a month that reduced the outstanding balance. After the promotional interest rate ended, Mr B increased his monthly payment to around £70 to cover the minimum payment. By October 2020 Mr B started making manual overpayments each month of between £500 and £700 before making a final payment of £252 to clear the outstanding balance. Whilst I can see a late fee of £12 was incurred on 20 September 2019, it was the month after Mr B completed the balance transfer and it appears no direct debit had been set up. I can see the account was brought up to date and that from 21 October 2019 onwards payments were collected by direct debit. No further fees or charges were applied from that point.

I'm sorry to disappoint Mr B but I haven't seen anything in the way he managed his account that would've highlighted to Tesco Bank he was struggling financially or overcommitted. As I haven't been persuaded Tesco Bank treated Mr B unfairly I'm unable to uphold his complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Tesco Bank lent irresponsibly to Mr B or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 September 2025.

Marco Manente
Ombudsman