

## **The complaint**

Mr G complains that Tesco Personal Finance Limited trading as Tesco Bank lent irresponsibly when it approved his credit card application and later increased the credit limit.

## **What happened**

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

*Mr G applied for a credit card with Tesco Bank in December 2022. In his application, Mr G's income was recorded as £2,470 a month and Tesco Bank's confirmed it verified that figure via the credit reference agencies. A credit search was completed that found Mr G had a mortgage with monthly repayments of £319. No adverse credit, defaults or recent missed payments were found on Mr G's credit file. And Tesco Bank found Mr G owed £12,279 in other unsecured debt and was making monthly repayments of around £350. In addition, Tesco Bank completed an affordability assessment and used estimates for Mr G's regular living expenses as well as taking his housing costs into account. Tesco Bank says its lending checks for Mr G had a sufficient disposable income to afford a credit card with a limit of £6,300 and approved his application.*

*Mr G used the credit card predominantly for money transfers. In January 2024 Tesco Bank increased Mr G's credit limit to £8,300. Tesco Bank says it looked at how Mr G had handled his account and checked his credit file before increasing the credit limit. The credit file showed Mr G's other unsecured debts had increased to over £27,000 since his application in December 2022. Tesco Bank also carried out a new affordability assessment.*

*Last year, representatives acting on Mr G's behalf complained that Tesco Bank lent irresponsibly and it issued a final response. Tesco Bank said it had carried out the relevant lending checks before approving Mr G's application and increasing the credit limit and didn't uphold his complaint. An investigator at this service looked at Mr G's complaint. They thought Tesco bank had carried out reasonable and proportionate lending checks and didn't agree it lent irresponsibly.*

*Mr G's representatives asked to appeal and said Mr G's unsecured debt levels had increased substantially during the period between the application and credit limit increase. They also said Mr G was using his overdraft in a way he hadn't previously been doing. Mr G's representatives said that if Tesco Bank had carried out more detailed checks it would've most likely declined the lend. As Mr G's representatives asked to appeal his complaint has been passed to me to make a decision.*

## **What I've provisionally 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 or increasing the credit limit, the rules say Tesco Bank had to complete reasonable and proportionate checks to ensure Mr G 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 Tesco Bank considered when looking at Mr G's original application above. I can see that Tesco Bank checked Mr G's credit file and found no evidence of financial difficulties or adverse credit. Mr G's existing debts totalling £12,279 were all up to date. And Tesco Bank took Mr G's mortgage costs and living expenses into account. I haven't seen anything that would've indicated to Tesco Bank that Mr G was struggling or overcommitted. Overall, Tesco Bank took the view Mr G had sufficient disposable income to sustainably afford repayments to a credit card with a limit of £6,300 and I think that was a reasonable decision for it to make. In my view, the level and nature of checks Tesco Bank completed were proportionate to the amount and type of borrowing it went on to approve. And I'm satisfied the decision to proceed based on the information Tesco Bank obtained was reasonable. I'm sorry to disappoint Mr G but I haven't been persuaded Tesco Bank lent irresponsibly.*

*I've reached a different decision in relation to the credit limit increase. As Mr G's representatives have pointed, his circumstances appear to have changed by the time his credit limit was increased to £8,300 in January 2024. At this point, Mr G's outstanding unsecured debt had more than doubled, reaching £27,092. Whilst I accept Mr G's payments were up to date, I think an increase of that nature in just over a year should've caused Tesco Bank to consider carrying out a more detailed approach to the lending checks before increasing the credit limit. One option Tesco Bank had available would've been to look at Mr G's bank statements or banking data to get a clearer picture of his circumstances. Mr G's representatives have forwarded open banking data for his current account covering the months before the credit limit increase and I've gone on to review it.*

*Whilst I can see income and outgoings for normal expenditure, one thing that is clear from Mr G's bank data is that he was using the account to gamble significantly. In the three months before Mr G's credit limit was increased, he made payments of more than £4,000 to online gambling websites. And I think it's fair to note Mr G was overdrawn for much of this time, including the entirety of December 2023, and was using the overdraft to cover his gambling payments. In my view, Mr G's bank statements show he was gambling at a high and unsustainable rate and using credit to support his habit. In the circumstances, I think it's more likely than not that Tesco Bank would've declined to lend further if it had carried out further lending checks, like reviewing Mr G's bank statements. I haven't been persuaded that Tesco Bank lent responsibly when it increased Mr G's credit limit to £8,300 in January 2024 so I intend to uphold his complaint and direct it to refund all interest, fees and charges applied from that date to balances over £6,300.*

*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, I'm satisfied the redress I have directed below results in fair compensation in the circumstances of Mr G's complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.*

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr G's representatives responded to confirm he accepted the provisional decision. We didn't receive a response from Tesco Bank.

### **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.

As no new information has been provided and Mr G's confirmed he's willing to accept I see no reason to change the conclusions I reached in my provisional decision. I still think Mr G's complaint should be upheld, for the same reasons.

### **My final decision**

My decision is that I uphold Mr G's complaint and direct Tesco Personal Finance Limited trading as Tesco Bank to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £6,300 after January 2024.
- If the rework results in a credit balance, this should be refunded to Mr G along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Tesco Bank should also remove all adverse information recorded after January 2024 regarding this account from Mr G's credit file.
- Or, if after the rework the outstanding balance still exceeds £6,300, Tesco Bank should arrange an affordable repayment plan with Mr G for the remaining amount. Once Mr G has cleared the outstanding balance, any adverse information recorded after January 2024 in relation to the account should be removed from their credit file.

If Tesco Bank has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask to accept or reject my decision before 9 June 2025.

Marco Manente  
**Ombudsman**