

## **The complaint**

Mr J complains that Barclays Bank UK PLC trading as Tesco Bank was irresponsible in its lending to him.

## **What happened**

Mr J was provided with a £30,000 loan by Tesco Bank in November 2018. The loan term was 122 months and Mr J was required to make 120 monthly repayments of £589.58. Mr J said that Tesco Bank didn't carry out adequate checks before the loan was provided to ensure that it was sustainably affordable for him.

Tesco Bank issued a final response to Mr J not upholding his complaint. It said that before the loan was given it carried out credit and affordability checks using data that Mr J had provided along with information from the credit reference agencies and third parties. It said Mr J declared a net monthly income of £3,850 which it verified using his bank statements. It explained that Mr J's credit check showed he had existing credit commitments, but these weren't at a level that caused concern when considering his income. It noted that Mr J had no adverse credit data recorded. It said there was nothing to suggest the lending was irresponsible.

Mr J referred his complaint to this service.

Our investigator noted that Tesco Bank had verified Mr J's income using his bank statements but thought that an assessment of Mr J's actual expenditure should also have taken place. Therefore, he didn't think that Tesco Bank had carried out proportionate checks before the loan was provided. Our investigator considered what proportionate checks would have identified and found these would have suggested the loan to be affordable for Mr J. Therefore, he didn't uphold this complaint.

Our investigator noted the other complaint points Mr J had raised regarding a late payment and complaint handling but said these had been dealt with in a separate complaint.

Mr J didn't accept our investigator's view. He noted that our investigator had said proportionate checks weren't carried out and didn't think that it could be accepted that the outcome would be the same had these happened. He said that all of his expenditure hadn't been included in the assessment of his disposable income and said that his use of his overdraft showed his financial strain. Mr J noted the size and duration of the loan and thought that Tesco Bank needed to do more to ensure the loan repayments would be affordable for him over the loan term.

Mr J said that although the late payment was part of another complaint it was linked to this complaint as it meant he couldn't refinance the loan after five years as he had discussed at the outset. Mr J explained the impact this lending had on him including the negative impact on his mental health.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr J was provided with a £30,000 loan. The loan term was 122 months, and Mr J was required to make 120 repayments of around £590. This is a substantial loan and Tesco Bank's checks needed to reflect this and ensure that it had enough information to be satisfied that the repayments would be affordable for Mr J over the loan term.

Before the loan was provided, Tesco Bank asked Mr J about his employment, income and residential status. Mr J said that he was co-habiting, a homeowner with a sole mortgage and was employed full time with a net monthly income of £3,850. Tesco Bank verified Mr J's income using his bank statements and while it gathered information about Mr J's mortgage and other credit costs from his credit check results, it isn't clear that it gathered information about his actual expenditure rather than relying on estimates. Given the size and duration of the loan, I think that Tesco Bank needed to fully understand Mr J's income and his actual expenses before lending to ensure that he was in a financial position that would support him being able to make the required loan repayments over the loan term. Therefore, I don't think that the checks carried out were proportionate.

I have looked through Mr J's bank statements for the months leading up to the Tesco Bank loan being provided, along with the other information that was gathered as part of the application process, to understand what proportionate checks would have identified. Mr J's bank statements showed that his net monthly income in the three months leading up to the loan being provided was higher than the amount he had declared. However, I note the amounts did vary month to month and so I think it reasonable that the declared income of £3,850 was relied on.

Mr J's credit report showed he had an outstanding mortgage with monthly repayments of £870. He also had around £30,000 of unsecured debt including loans and credit cards. His loan repayments were noted as £335 and his payments for revolving credit as around £435. While Mr J's bank statements support the mortgage and loan payment amounts his payments for other revolving credit were around £700 a month, which is in line with the amount we would expect for repayments given Mr J's outstanding balances at the time. Additional to his credit costs, Mr J was making regular payments for costs such as utilities, media contracts and insurances. Deducting these costs from Mr J's declared income would leave around £1,425 of disposable income before the Tesco Bank loan repayments. I find that this is sufficient to cover the Tesco Bank loan repayments and Mr J's general living costs. So, while I note Mr J's comments about the outcome of proportionate checks at the time, I think that had these happened, the loan would have been considered as affordable for him.

I have then considered whether there were other reasons why the loan shouldn't have been provided. Mr J's credit results from when he applied for the loan didn't record any defaults or delinquent accounts and reported his accounts as up to date. Mr J did use his overdraft on

occasions, but I do not find that this was such that the lending shouldn't have been provided, and I note Mr J was making transfers in and out of his account. While I note Mr J's comment about the size and duration of the loan, I have taken this into consideration in my assessment and as the loan appeared affordable, I do not find I can say the Tesco Bank was wrong to provide the loan. Mr J was given the details of the loan duration, interest rate, total loan cost and monthly repayments when he entered the loan and so I think he had the information he needed available to him to make an informed decision.

I've also considered whether Tesco Bank acted unfairly or unreasonably in some other way given what Mr J has complained about, including whether its relationship with Mr J 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 J 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.

I note Mr J's comment about the late payment, and I understand the point he has made about the impact on refinancing the loan, but as the issue of the late payment was dealt with previously as part of a separate complaint, I haven't looked into this further here. I am sorry to hear of the impact this loan has had on Mr J, particularly on his mental health and I would urge him to get in touch with Tesco Bank if he feels he needs further assistance. But having considered all of the evidence provided, I do not find that I can say the loan was lent irresponsibly and so I am not upholding this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

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

Jane Archer  
**Ombudsman**