

The complaint

Miss B complains Barclays Bank UK PLC trading as Tesco Bank (Tesco) failed to carry out sufficient financial checks before it approved a credit card account for her.

What happened

Miss B says Tesco approved a credit card account for her in December 2021, with a credit limit of £250 and subsequently increased the credit limit to £600 in April 2022. Miss B says at those times she was already under financial pressure with excess credit limits, unsecured and high cost loans prevalent, and says if Tesco had carried out proper financial checks it would have seen further borrowing was unaffordable.

Miss B wants Tesco to refund all interest and charges made to the credit card account, along with 8% simple interest and for it to remove any adverse entries on her credit file relating to this account.

Tesco says Miss B applied for a “foundation” credit card, suitable for customers with a less than perfect credit score. Tesco says before it approved the credit card facility and the subsequent credit limit increase, it carried out credit checks using information from her application and information from credit reference agencies (CRA's).

Tesco says while it had noted a previous historic default, it had taken this into account when conducting its affordability assessment, which on both occasions showed Miss B had a strong net disposable income to meet this new borrowing and her existing financial commitments, which had been well managed.

Miss B wasn't happy with Tesco's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint.

The investigator pointed out there were no set list of checks a lender must undertake before providing credit to its customers, but these must be borrower focused taking into account the amount, term and cost of any borrowing approved.

The investigator says from the information he had seen Tesco had carried out searches with CRA's and undertaken an income and expenditure check, based on Miss B's declared income on her application. The investigator says Tesco also carried out an affordability assessment using this data and verification from the Office of National Statistics (ONS).

The investigator says although there was evidence of a historic default dating back 53 months, there were no bankruptcies, IVA's or CCJ's so there were no obvious concerns.

The investigator says the affordability assessment Tesco carried out, showed the credit card account limit of £250 was affordable, taking into account her external borrowing commitments and her net disposable income.

As far as the increase limit to £600 in April 2022 was concerned, the investigator says Tesco undertook a further affordability assessment, which showed a strong disposable income. The

investigator pointed out while external debt had risen it was managed well, with no missed payments and no IVA's, CCJ's or recent defaults recorded.

Overall, the investigator felt Tesco had carried out proportionate and reasonable checks before it approved the facilities it granted to Miss B.

Miss B didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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 won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear Miss B is experiencing financial problems and that must be a source of worry to her. When looking at this complaint I will consider if Tesco carried out reasonable and proportionate checks before it approved the credit card facility for Miss B and the subsequent credit limit increase on that account.

Miss B's complaint centres around the fact Tesco failed to conduct sufficient financial checks before it approved a credit card facility for her in December 2021 for £250 and then subsequently increased that limit to £600 in April 2022. Miss B maintains if it had done so, it would have seen the new borrowing was both unaffordable and unsustainable.

While I understand the points Miss B makes here, I'm not fully persuaded by her argument and I will go on to explain why.

As the investigator has pointed out there are no set rules as to what financial checks banks like Tesco must undertake, but these should be borrower focused taking into account the amount, term, type and cost of any borrowing approved - to establish affordability. It's worth saying it's not my role to tell banks from what sources those checks must come from.

The first thing to say here is that the type of credit card Miss B was approved for, was a "foundation" credit card account which is specifically designed for those customers with perhaps a less than perfect credit background, with no or a low credit rating.

From the information I have seen Tesco carried out various financial background checks before it approved the initial modest credit card limit of £250 back in December 2021. These checks including data and information contained in Miss B's credit card application, CRA's and the ONS.

While I can see from the information Tesco had available at that time, and this showed a historic default and external debt of around £10,000, the default was 53 months old and there were no recent signs of financial pressure, with Miss B's other external borrowing being well managed overall.

From the affordability modelling Tesco completed at that time, I can see this showed Miss B had a strong net disposable income and a relatively low debt to income ratio. With that in mind and given the level of borrowing approved here, I am satisfied there was no reason for Tesco to demand further financial information as the new commitment here looked affordable.

As far as the increased limit to £600 in April 2022 is concerned, I can see while Miss B's external borrowing from the CRA sources had increased, these were well managed and the affordability modelling showed the new limit was more than affordable, with no further defaults, IVA's, CCJ's evidenced. I can also see Tesco's affordability modelling used data from Miss B's application and verified this with reference to CRA's and the ONS. I can also see that before the increased limit was approved, Miss B had only lightly used her existing limit and payments were made on time with no issues seen.

It's also worth saying here that I wouldn't expect the same level of financial due diligence to be undertaken as one might expect for say a larger, longer term committed loan. Here a modest level of credit was provided to Miss B, much in line with the "foundation" credit card low and grow approach, aimed at consumers looking to build their credit rating over time.

Taking everything into account, I'm satisfied on balance Tesco did carry out reasonable and proportionate checks before it approved the credit facilities to Miss B and from its affordability modelling this borrowing looked affordable and sustainable, for the reasons I have already stated.

I've also considered whether Tesco acted unfairly or unreasonably in some other way given what Miss B has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Miss B will be disappointed with my decision, I won't be asking anymore of Tesco here.

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 Miss B to accept or reject my decision before 25 August 2025.

Barry White
Ombudsman