

The complaint

Mrs F complains that Barclays Bank UK Plc trading as Tesco Bank (Barclays) lent irresponsibly to her.

In bringing her complaint Mrs F is represented by a third party. For ease of reading I will only refer to Mrs F in my decision.

What happened

In January 2017 Mrs F entered into a Fixed Sum loan agreement with Barclays for £14,000. This was to be repaid over 60 months at £291 a month. Mrs F settled the agreement in 2022 but said she'd struggled to maintain her repayments and only did so by borrowing from others and the occasional use of food banks. Mrs F complained to Barclays.

Barclays said their checks had been reasonable and proportionate. They said they used application, credit reference agency (CRA) and statistical data to assess Mrs F's affordability for the loan. They'd also verified her monthly income from bank statements. Based on these checks they said the lending was affordable. Mrs F wasn't happy with Barclays's response and referred her complaint to us.

Our investigator said given the amount of the loan and the time Mrs F would be indebted for Barclays should have checked further rather than relying on statistical data. She said if they had they would have seen Mrs F didn't have sufficient disposable income to sustain the loan repayments. She asked Barclays to put things right.

Barclays said Mrs F hadn't shown any signs that the lending wasn't sustainable having settled her account. And that their checks were proportionate with no requirement to check further. They asked for an ombudsman to decide.

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'm upholding this complaint. I'll explain why.

We've set out our approach to complaints about unaffordable lending on our website, I've applied this approach when deciding this complaint. I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Barclays offered the loan they needed to complete reasonable and proportionate checks to be satisfied Mrs F would be able to repay the debt in a sustainable way.

There is no set list of checks that a lender has to do but they should take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower. And I think reasonable and proportionate checks ought generally to be more thorough where:

- a customer has a low income (because it may make it more difficult to make loan payments of a set amount from a low level of income);
- the higher the amount due to be repaid (because it may be more difficult to meet a higher repayment for a particular level of income);
- the longer the term of the loan (because the total cost of the credit is likely to be higher, and the customer is obliged to make payments for a longer period); and
- the greater the number and frequency of loans and the longer the period of time during which a customer has been given loans (because of the risk of repeated refinancing may signal that the borrowing has become or was becoming unsustainable).

CONC says a lender should take reasonable steps to estimate a consumer's income and non-discretionary expenditure. It says a lender shouldn't solely rely on the consumer's declared income but should check this with an independent source or third party. CONC also provides for the use of statistical data in estimating a consumer's outgoings.

Barclays has shown they used data from Mrs F's application, a CRA check and statistical data. They also had some bank statements from Mrs F that verified her income. I've no reason to think that Barclays didn't gather enough information to carry out reasonable and proportionate checks on the application. But I don't think they used that information fairly in their decision to lend to Mrs F. I say this as from the information they had it could be seen that Mrs F was paying £900 a month (rent). And with her other non-discretionary spending for the month of November 2017 (the only complete month Barclays had) showed Mrs F's overall expenditure was around £1,232. Taking Mrs F's income for that month around £1457 this would have left Mrs F with a disposable income of £225 before factoring in the new lending of £291, which shows the lending wasn't affordable for her.

I take on board Barclays's comment that Mrs F declared she was co-habiting, so they used a 50% share for her rent payments - £500. CONC does allow for an income from another person to be considered in so far as it's reasonable to expect this income to be available for the consumer in meeting the payments under the agreement. But Barclays had evidence to show that Mrs F was paying £900 a month. I can see from the November 2017 bank statement Mrs F received £229 into her account from a variety of other people. I can also see that that this was counterbalanced with £140 leaving her account to the same people. Taking the balance into account would still have left Mrs F with insufficient disposable income to sustain her repayments.

In fairness Barclays only had one month's complete bank statements. Mrs F has provided her bank statements for the three months prior to the lending which we consider for our purposes is a good indicator of a consumer's income and expenditure. Across the three months Mrs F's average salaried income was around £1,350, the amount Barclays used in their assessment. She also had a monthly benefit payment of £82.80, so her overall monthly income was around £1,433. But Mrs F's non-discretionary expenditure for rent, insurance, utilities, media and food averaged across the three months at £1,255. Which would leave Mrs F with around £178 before factoring in the new lending, insufficient to sustain the repayments. And across the three months Mrs F paid out more to other people, presumably family members, than she received into her account.

Barclays has said Mrs F maintained her repayments without any indication that she was struggling financially. But any lending should be borrower focussed meaning Barclays need to think about whether repaying the lending sustainably would cause difficulties or adverse consequences for Mrs F. In other words, it wasn't enough for Barclays to think only about the likelihood that they would get their money back without considering the impact of repayment on Mrs F herself.

Taking all the above into account I don't think Barclays lent fairly. I say this as in considering the information obtained through their checks, I don't think Mrs F had sufficient disposable income to sustain the repayments for the loan.

I've also considered whether Barclays acted unfairly or unreasonably in some other way given what Mrs F has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Mrs F in the circumstances of her complaint. I'm satisfied based on what I've seen that no additional award would be appropriate in this case.

Putting things right

When putting things right we'd usually ask a business to put a consumer back into the position they would have been had the error not happened. But in cases of unaffordable lending this isn't possible as Mrs F has had the benefit of the capital from the loan, £14,000. Mrs F has already repaid the entire amount including interest due under the agreements. While I think it's fair for Mrs F to repay the money she borrowed, I don't think it's fair that she should pay any interest and charges that have been applied.

My final decision

I uphold this complaint. And ask Barclays Bank UK Plc trading as Tesco Bank to:

- Rework the agreement removing all interest and charges that have been applied.
- Deduct all repayments made by Mrs F towards the loan agreement. If this results in Mrs F having overpaid Barclays should refund this amount with the addition of 8% simple interest per year to any overpayments from the date they were made until the date of settlement*
- Remove any adverse information that may have been added to Mrs F's credit file about this loan.

*His Majesty's Revenue & Customs requires Barclays Bank UK Plc to deduct tax from any award of interest. It must give Mrs F a certificate showing how much tax has been taken off if she asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

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

Anne Scarr

Ombudsman