

The complaint

Miss P complains that Barclays Bank UK Plc trading as Tesco Bank (Tesco) acted irresponsibly by agreeing to two credit card accounts as she said they were unaffordable.

What happened

In October 2020 Miss P applied for a credit card with Tesco. Her application was successful and Tesco applied a credit limit of £2,600. The credit card was offered with a 0% interest rate on purchases, balance and money transfers for nine months. In January 2022 Miss P applied for a second credit card with Tesco. Her application was successful and Tesco applied a credit limit of £2,800. The card was offered with 0% interest on purchases for 14 months. And balance and money transfers with 0% interest for three months.

Miss P complained to Tesco as she said they hadn't sufficiently checked whether she could sustain the repayments before they agreed to lend to her. She said she was already struggling with debt, and Tesco should have seen she was heavily reliant on credit.

Tesco said their checks for the type and amount of borrowing were reasonable and proportionate. They said their checks had shown Miss P had a regular income and was managing her credit without any signs of financial vulnerability. Based on these checks they said their decision to lend was fair as Miss P should have had sufficient disposable income to sustain the repayments.

Miss P wasn't happy with Tesco's response and referred her complaint to us.

Our investigator said Tesco had carried out reasonable and proportionate checks and based on these their lending had been fair.

Miss P didn't agree and 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.

I appreciate, after Miss P has explained her financial struggles, that she'll be disappointed by my decision. But to ask Tesco to do something differently I have to find that they'd done something wrong. And I don't think they have in this case. I'll explain why.

Tesco will be familiar with all the rules, regulations, and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website. And I've used this approach in reaching my decision about Miss P's complaint.

Before agreeing to approve the credit available to Miss P Tesco needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect

lenders to consider include - but are not limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.

What's important to note is that Miss P was being provided with a revolving credit facility rather than a loan. This means there isn't a fixed amount to be repaid each week or month, any required payment is dependent on the transactions made and outstanding balance.

CONC 5.2A.27 requires Tesco to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. I'd expect a credit limit of £2,600 required payments of approximately £130 a month in order to clear the full amount owed within a reasonable period of time.

I've looked at what checks Tesco said they did when initially approving Miss P's application.

Tesco said they looked at Miss P's application data, which showed she was living with her partner, was a home owner with a mortgage and was in full time employment. Miss P declared an annual income of £25,000, which was around £1,600 net a month. They cross checked Miss P's declared information with her credit history provided by a credit reference agency (CRA). This showed Miss P had nine active accounts, with outstanding debt (excluding her mortgage) of £2,744 consisting of revolving credit of £2,591 and a loan balance of £153. The data showed Miss P was maintaining her accounts, and the last evidence of financial vulnerability had been 46 months prior when she'd defaulted on two accounts. The data showed the monthly mortgage commitment was £955.

Tesco used statistical data, the national averages for cost of living, supplied by the Office for National Statistics (ONS) to assess Miss P's credit worthiness. And based on these considered Miss P's outgoings after factoring in the new lending to be £943 a month. This meant Miss P should have had around £657 in disposable income each month.

I can see the statistical data provided Miss P's average housing costs to be £387. While this is lower than the CRA data showed, Miss P was living with her partner so its reasonable to assume she'd be liable for around 50% of the mortgage repayment each month - around £478 a month. CONC allows for the use of statistical data unless a lender knows or has reasonable cause to suspect that the non-discretionary expenditure is significantly higher than that described in the data. As I don't think the data used by Tesco was markedly different I don't think it was unreasonable for them to use the ONS data. In fairness even if they had used the higher figure of £478, Miss P should still have had sufficient disposable income to sustain the repayments, after factoring in the new lending this would have been around £566.

Information like a default on someone's credit file may often mean they're not granted further credit but it doesn't automatically mean that a lender won't offer borrowing. Tesco considered the information that Miss P had on her credit file and made a decision to lend which, in the circumstances, I think was reasonable as the default was recorded nearly four years prior to her credit card application, I'd consider this to be historic.

CONC says a lender needs to take reasonable steps to determine a borrower's income and non-discretionary spending before they agree to lend to them. I'm satisfied Tesco did take reasonable steps to gain a good understanding of Miss P's income and outgoings and I haven't seen any evidence to show that there's any reason why Tesco shouldn't have relied on this information when deciding to lend to her.

Miss P applied for a second credit card in January 2022 and was successful with Tesco applying a credit limit of £2,800. When Miss P applied for the second credit card Tesco said

they carried out the same checks. This again showed Miss P had a monthly income of £1,600. The CRA check showed Miss P's outstanding debt balance (excluding her mortgage) had reduced to £2,379, consisting of revolving credit of £834 and loan balance of £1,545. Again using ONS data Tesco deemed Miss P's non-discretionary spending after the new lending was factored in to be £1,282, this included a housing cost amount of £523 (higher than the 50% share of the mortgage commitment shown on the CRA data— around £490). This should have left Miss P with a disposable income of £318 a month to cover discretionary and any unexpected spending.

Tesco also had available to them details of how Miss P managed her existing credit card account with them. I can see Miss P regularly paid in excess of the minimum required for credit card *8537. She did have two direct debit reversals for her payments in May and June 2021, but she'd already manually paid in excess of the minimum payment of £25 required for each of these months. And subsequently I can see Miss P continued to pay her account manually as there aren't any further direct debits showing on her credit card account. So, I don't think this was signs of financial vulnerability rather more likely a change in her method of payment.

Miss P's 0% offer would have expired around July 2021 after which if she hadn't settled her balance interest would accrue. I can see over July and August 2021 Miss P made payments of around £3,115 reducing her outstanding balance and any accrued interest. And by January 2022 Miss P had settled her outstanding balance as she was around £25 in credit.

Miss P applied for the second credit card around the same time, January 2022. This credit card was also offered with 0% options, 14 months for purchases and three months for balance and money transfers, which would have been financially beneficial, especially for purchases, to Miss P given her first credit card would now be accruing interest.

Taking all of the above into account I'm satisfied Tesco's checks were for the type and amount borrowed proportionate and reasonable. And based on what they saw I'm satisfied they made a fair lending decision.

I've also considered whether Tesco acted unfairly or unreasonably in some other way given what Miss P 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, for the reasons I've already given, I don't think Tesco lent irresponsibly to Miss P or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else, given the facts of this complaint, lead to a different outcome here.

Although I'm not upholding this complaint and Miss P has said she no longer has the credit facility for her second credit card as she has settled the balance. If Tesco intend to collect any outstanding balance remaining on either of her credit card accounts, and it's the case that Miss P is experiencing financial difficulty I'd like to remind Tesco of their obligations to exercise forbearance.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 21 July 2025.

Anne Scarr
Ombudsman