

The complaint

Mr H complains that Barclays Bank UK PLC, trading as Tesco Bank, irresponsibly provided him with a loan. He's also unhappy with the interest rate applied to the loan, and how it's been reported to Credit Reference Agencies ("CRAs").

What happened

In July 2024, Mr H applied for a £20,000 loan with Tesco Bank. His application was approved and the funds drawn down; in his application, Mr H said the loan was for debt consolidation.

A short while later, in early 2025, Mr H complained to Tesco Bank. He said, in summary, that he thought it hadn't carried out appropriate checks to determine whether the loan he'd requested was affordable for him. Additionally, Mr H said he was unhappy with the interest rate applied to his loan – which he considered to be unjustifiably high – and that Tesco Bank had, in fact, reported to CRAs that he owed around £30,000. That figure was the £20,000 principal sum with the interest amount added to it; Mr H thought that was inaccurate.

Tesco Bank rejected Mr H's complaint. It defended its decision to provide Mr H the loan and said it had carried out suitable checks, to determine his affordability, in the circumstances. Tesco Bank also said the interest rate was correct and that it wouldn't be reduced, and it added how it had been clear throughout that the reportable amount would include both principal and interest.

Mr H remained unhappy, and he referred his complaint to this Service. An Investigator here looked at what had happened; having done so, they didn't think Mr H's complaint should be upheld. In summary, the Investigator said:

- Overall, in the circumstances, Tesco Bank had carried out proportionate checks before agreeing to lend.
- Those checks hadn't revealed anything which suggested the loan was, or would be, unaffordable for Mr H.
- As such, given the results of its proportionate checks, Tesco Bank didn't need to verify Mr H's financial position. So, nothing would've shown it that Mr H might have been experiencing deeper underlying financial difficulties.
- Mr H had accepted the interest rate Tesco Bank had applied to his loan; that information had been clear throughout his application and, broadly speaking, it wasn't for this Service to determine the rate at which a lender is willing to provide credit.
- Moreover, Tesco Bank had also clearly explained throughout how it would report the full repayable balance – both principal and interest amounts – to CRAs.
- With all of that in mind, Tesco Bank hadn't done anything wrong in the circumstances of this case.

Mr H disagreed. He maintained his position that Tesco Bank hadn't done enough to understand his financial position before agreeing to lend, and he mentioned another complaint he'd made – to a different creditor – which had been upheld in his favour in what he considered to be the same circumstances.

Our Investigator reconsidered, in light of Mr H's comments, but they didn't change their mind; so, as no agreement has been reached, Mr H's complaint has been passed to me 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.

In short, when making a lending decision, Tesco Bank needed to make sure that it didn't provide loans irresponsibly. In practice, what this means is that Tesco Bank needed to carry out proportionate checks to be able to understand whether any lending was sustainable; it had to do so taking into account Mr H's specific circumstances, before providing any credit.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. That said, we might think a lender needed to do more if, for example, a borrower's income was low, or the amount lent was high. Additionally, the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Here, Tesco Bank says it gathered details of Mr H's income and expenditure; it carried out a credit check too, and an affordability assessment. It considered the purpose of the loan, and it made some adjustments to figures Mr H had provided – that's so it could determine affordability even if Mr H had underestimated his costs. Tesco Bank says that all of the information it received as a result of those checks indicated the loan was affordable for Mr H.

Having reviewed the data myself, I can see that nothing in Tesco Bank's checks showed any recent defaults nor missed payments; no County Court Judgements or Individual Voluntary Arrangements were recorded either. Mr H declared a monthly income of around £4,700 – something which Tesco Bank was entitled to rely upon, although it did reduce this in-line with what it could verify from CRAs – and after subtracting his expenditure, Tesco Bank determined Mr H could afford the repayments for this loan. Broadly then, with all of that in mind, my view is that the checks Tesco Bank performed were proportionate. In the circumstances, and given the results of its checks, I'm not persuaded it would have been necessary for Tesco Bank to request more information, or evidence, from Mr H before the loan was approved.

I'll say here that Tesco Bank did review Mr H's other unsecured debt – noting this to be around £33,000, which isn't insignificant. I know too how Mr H has clarified that, at the time he applied, his external indebtedness was, in fact, essentially double that amount.

Even so, Tesco Bank could only base its decision on the information and figures returned as part of its checks and, overall, nothing in those checks suggested Mr H wasn't managing his finances. More broadly too, simply having existing debt elsewhere doesn't automatically mean that a creditor shouldn't lend. Equally important, I think, is to note that Mr H told Tesco Bank the purpose of his loan was for refinancing/consolidation. So, broadly speaking, I don't think it inherently unreasonable for Tesco Bank to have considered that this loan

could serve to improve Mr H's broader financial position.

To be clear, I'm not saying that Mr H wasn't – or isn't now – under some level of financial pressure; it's just that here, in these circumstances, Tesco Bank was entitled to rely upon the results of the checks it did. As I've said above, I find that the level of checks it did carry out were proportionate to the amount being lent, the lending relationship, and the results of those checks. My view is that nothing Tesco Bank discovered ought to have given it cause for concern enough to not lend, nor that it should've been prompted to entirely verify Mr H's wider financial situation. So, with all of that in mind, I don't think Tesco Bank made an irresponsible lending decision in granting Mr H this loan.

Aside from the lending itself, for completeness, I'll also say that I don't consider Tesco Bank to have treated Mr H unfairly or unreasonably in regard to the interest rate it applied to his loan – or the way in which it's recorded his debt on his credit file. I say that for much the same reasons as our Investigator; Tesco Bank was clear, throughout, about the interest rate it was willing to offer Mr H – which he accepted – and it was clear too about how the agreement was for c.£31,000, inclusive of interest. Essentially, that's the amount Mr H was always contracted to repay if the loan ran to term. Mr H may question, quite understandably, what would happen if the loan was repaid early; if he were to do so, he'd likely receive a refund/rebate of the interest – but that doesn't mean the agreement wasn't always for around £31,000.

In closing then, while what I've set out here will no doubt disappoint Mr H, the key point to remember is that it's only fair and reasonable for me to uphold a complaint in circumstances where I can conclude a business did something wrong. Here, for the reasons I've explained, I don't think that Tesco Bank could have known that the payments for this loan were – or would become – unaffordable for Mr H at the time of lending. So, on that basis, I don't think Tesco Bank lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter – including in terms of the interest rate or CRA reporting. Finally, I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold Mr H's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 August 2025.

Simon Louth
Ombudsman