

The complaint

Miss W complains that Barclays Bank UK PLC trading as Tesco Bank irresponsibly lent to her.

What happened

Miss W was approved for a Tesco credit card in October 2018, with a £500 credit limit. I have set out the credit limit increases below:

February 2019	£500 to £800
May 2019	£800 to £1,100
February 2020	£1,100 to £1,400
May 2020	£1,400 to £1,700
September 2020	£1,700 to £2,000
December 2020	£2,000 to £2,300
February 2021	£2,300 to £2,600
June 2021	£2,600 to £2,900
September 2021	£2,900 to £3,200

Miss W says that Tesco irresponsibly lent to her. Miss W made a complaint to Tesco, who did not uphold her complaint. Tesco said that proportionate checks were carried out in the level of credit being offered. Miss W brought her complaint to our service.

Our investigator did not uphold Miss W's complaint. He said that Tesco's checks were proportionate, and they made fair lending decisions. Miss W asked for an ombudsman to review her complaint. She made a number of points. In summary, she said that Tesco never verified her income or expenditure to ensure the credit limits were affordable for her. She said she has only made repayments to this account through either cash advances from other credit cards or through balance transfers.

Miss W said that her circumstances changed (especially during the pandemic), and she had to move into private rental accommodation which increased her outgoings, and Tesco never asked if her circumstances changed. She said she had a debt management plan. She said she has never been able to pay her priority bills as she had been reliant on family and friends. She told us the impact of this lending could have on her job and the impact of her mental health.

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.

Firstly, I'm aware that I've only summarised Miss W's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't

need to comment on every individual point to be able to reach what I think is a fair outcome.

I like to thank Miss W for giving us detailed information about her financial and personal situation. I won't go into great detail here about what she's told us to help protect her identity, but I can assure Miss W I have read everything she's sent us.

Before agreeing to approve or increase the credit available to Miss W, 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. I've listed below what checks Tesco have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Tesco credit card

Miss W declared a gross annual income of £36,000 which Tesco calculated to be around £2,350 net a month. But the checks also showed that Miss W had previously defaulted on two credit agreements, with the last default showing as being registered 47 months prior to her application.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Tesco completed, to see if they made a fair lending decision here.

The Credit Reference Agency (CRA) that Tesco used reported that Miss W had unsecured debt totalling £494. So at the point of the checks, Miss W had around 1.4% of unsecured debt compared to her gross annual income she declared.

Tesco used a mixture of information from the CRA and modelling to estimate Miss W's outgoings, and they calculated that she had enough disposable income to be able to sustainably afford repayments for a £500 credit limit.

I've considered what Miss W has said about Tesco not requesting information from her to validate her income and outgoings. But they are not required to do this for each lending decision as this would not be proportionate. Miss W has not said that she earned a different amount to what she declared, and it wouldn't be clear why she would declare a different amount to what she earned. But while Miss W told Tesco that she was living with parents, they still used modelling to estimate over £700 a month housing expenses which would typically be higher than someone living with parents.

Tesco would be able to include a reasonable monthly repayment for her existing debt into the affordability calculation, and they also used modelling for her living costs. So I'm not persuaded that with no adverse information from Miss W's credit file being reported to Tesco, and the disposable income showing after the affordability assessment that it would have been proportionate to have made any further checks here.

The credit limit was around 1.4% of Miss W's declared gross annual income, and if this was combined with her existing unsecured debt that the CRA was reporting, this would equate to 2.8% of her declared gross annual income.

The CRA also reported that Miss W had no County Court Judgements (CCJ's) and she didn't have any Individual Voluntary Arrangements or bankruptcies. The data showed she took no cash advances in the three months leading up to the acceptance of the Tesco credit

card. So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision here.

February 2019 credit limit increase - £500 to £800

The CRA that Tesco used reported that Miss W's unsecured debt was £488 at the time of the checks, which was slightly lower than at the account opening stage. Miss W was well within her credit limits, so it didn't appear that she was hungry for credit.

Tesco would have also been able to see how Miss W used her Tesco account prior to the credit limit increase. Miss W made large card payments (not balance transfers) to repay the majority of the credit that she used. Her statement balance prior to the credit limit increase was only £15. There was no evidence that she needed to use cash advances from credit cards elsewhere, especially as the overall unsecured debt had reduced. And Tesco would have no reason to believe Miss W was borrowing from family and friends.

The credit limit was being increased to £800, which would have equated to around 2.2% of Miss W's originally declared gross annual income. There were no late or overlimit fees being shown on Miss W's Tesco statements. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

May 2019 credit limit increase - £800 to £1,100

The CRA that Tesco used reported that Miss W's unsecured debt was £455 at the time of the checks, which was slightly lower than at the last lending decision. Miss W was again well within her credit limits, so it didn't appear that she was hungry for credit.

Tesco would have also been able to see how Miss W used her Tesco account prior to the credit limit increase. Miss W incurred an overlimit fee in April 2019, but it appears that this was an oversight. I say this because in the same statement period she incurred this fee, she made repayments of £500 and £706.22, which I wouldn't expect her to be able to make if she was struggling financially leading up to this credit limit increase.

These were made via debit card payments (not balance transfers). There was no evidence that Miss W needed to use cash advances from credit cards elsewhere, especially as the overall unsecured debt had reduced.

The credit limit was being increased to £1,100, which would have equated to around 3.1% of Miss W's originally declared gross annual income. There were no late fees being shown on Miss W's Tesco statements between the last lending decision and this credit limit increase. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

February 2020 credit limit increase - £1,100 to £1,400

The CRA that Tesco used reported that Miss W's unsecured debt was £1,061 at the time of the checks, which was slightly higher than at the last lending decision checks. This would have equated to around 2.9% of her original declared gross annual income. Miss W's total

credit limits had reduced which could suggest she had closed at least one account since the last lending decision, but she was still within her overall credit limits.

Miss W incurred no overlimit or late fees since the last lending decision. And again, she made debit card payments which were often three figures. So it wouldn't make sense for Miss W to take cash from other cards to make large repayments if she was financially struggling at the time. There were no balance transfers showing again.

The credit limit was being increased to £1,400, which would have equated to around 3.9% of Miss W's originally declared gross annual income. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

May 2020 credit limit increase - £1,400 to £1,700

The CRA that Tesco used reported that Miss W's unsecured debt was £1,718 at the time of the checks, which was slightly higher than at the last lending decision checks. This would have equated to around 4.8% of her original declared gross annual income. Miss W's was still within her overall credit limits (and had nearly a third of her credit limits available, so she wasn't close to exceeding all of her limits).

Miss W again incurred no overlimit or late fees since the last lending decision. And again, she made debit card payments which were often three figures. So it wouldn't make sense for Miss W to take cash from other cards to make large repayments if she was financially struggling at the time.

There were no transactions showing as balance transfers but I did note for the first time a faster payment for £1,000 crediting the account, so I can't rule this out being a balance transfer. But in the month before this credit limit increase, Miss W once again made debit card repayments for £500 and £1,369.79, which could suggest she had enough disposable income to make sustainable and affordable repayments for a higher credit limit.

The credit limit was being increased to £1,700, which would have equated to around 4.7% of Miss W's originally declared gross annual income. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

September 2020 credit limit increase - £1,700 to £2,000

The CRA that Tesco used reported that Miss W's unsecured debt was £624 at the time of the checks, which was lower than at the last lending decision checks. So it would appear that not only she could service her debts, but she could have disposable income in order to reduce her unsecured debt level.

Miss W again incurred no overlimit or late fees since the last lending decision. And again, she made debit card payments which were often three figures. So it wouldn't make sense for Miss W to take cash from other cards to make large repayments if she was financially struggling at the time.

There were no transactions showing as balance transfers, but I note there were faster payments between £1,600-£1,700 crediting the account, so I can't rule these out being balance transfers. But since Miss W's overall unsecured debt level had fallen, then this would be unlikely, and she still made debit card repayments which were three figures prior to this credit limit increase.

The credit limit was being increased to £2,000, which would have equated to around 5.6% of Miss W's originally declared gross annual income. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

December 2020 credit limit increase - £2,000 to £2,300

The CRA that Tesco used reported that Miss W's unsecured debt was £1,636 at the time of the checks, which was higher than at the last lending decision checks. But I do note that the unsecured debt was lower than the lending decision checks completed in May 2020.

Miss W again incurred no overlimit or late fees since the last lending decision. There were no transactions showing as balance transfers, but I note there were three figure faster payments crediting the account, so I can't rule these out being balance transfers. But since these weren't specifically showing as balance transfers, then I can't fairly say that this should have prompted further checks here.

The credit limit was being increased to £2,300, which would have equated to around 6.4% of Miss W's originally declared gross annual income. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

February 2021 credit limit increase - £2,300 to £2,600

The CRA reported that Miss W's unsecured debt was £1,888 at the time of the checks, which was slightly higher than at the last lending decision checks. Miss W was showing as utilising around 37.4% of her available credit limits, so she wasn't utilising most of the credit available to her.

Miss W again incurred no overlimit or late fees since the last lending decision. And again, there were no transactions showing as balance transfers, but I note the method of repaying the credit card was now faster payments, so I can't rule these out being balance transfers. But since these weren't specifically showing as balance transfers, then I can't fairly say that this should have prompted further checks here, and I don't think they were all balance transfers as the unsecured debt would have increased more than it did.

The credit limit was being increased to £2,600, which would have equated to around 7.2% of Miss W's originally declared gross annual income. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

June 2021 credit limit increase - £2,600 to £2,900

The CRA reported that Miss W's unsecured debt was £3,691 at the time of the checks, which was higher than at the last lending decision checks. Miss W was showing as utilising around 41.7% of her available credit limits, so she wasn't utilising most of the credit available to her.

Miss W again incurred no overlimit or late fees since the last lending decision. And again, there were no transactions showing as balance transfers, but I note the method of repaying the credit card was still faster payments, so I can't rule these out being balance transfers. But since these weren't specifically showing as balance transfers, then I can't fairly say that this should have prompted further checks here. It's more likely that Miss W made faster payments as this could be quicker than making debit card repayments.

The credit limit was being increased to £2,900, which would have equated to around 8.1% of Miss W's originally declared gross annual income. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

September 2021 credit limit increase - £2,900 to £3,200

The CRA reported that Miss W's unsecured debt was £5,858 at the time of the checks, which was higher than at the last lending decision checks. But this would have equated to around 16.3% of Miss W's declared gross annual income, so it wouldn't appear she was overindebted. Miss W was showing as utilising around 32.8% of her available credit limits, so she wasn't utilising most of the credit available to her.

Miss W incurred a late fee since the last lending decision. But she made a repayment of £86.98 only days later. So it would appear that this was an oversight. There were no overlimit fees incurred since the last lending decision.

Again, there were no transactions showing as balance transfers, but I note the method of repaying the credit card was still faster payments, so I can't rule these out being balance transfers. But since these weren't specifically showing as balance transfers, then I can't fairly say that this should have prompted further checks here.

The credit limit was being increased to £3,200, which would have equated to around 8.9% of Miss W's originally declared gross annual income. So I'm not persuaded that it would have been proportionate for Tesco to have made further checks here based on what the data showed, as this wouldn't have been proportionate here.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

I've considered what Miss W has said about her circumstances changing and Tesco didn't ask her about this. But I can't see that Miss W made Tesco aware of her changing circumstances. In 2020, during the pandemic, her statements direct her to a specific website if she had been affected by it.

I wouldn't expect Tesco to know that Miss W needed to move out and privately rent. I say this because her statements show the same address at the outset as they do for all of the credit limit increases, which Miss W was obligated to let Tesco know under term 15.5 of the

credit agreement. But Tesco still did include monthly housing costs which would be in line with someone not living at home with parents for the affordability assessment they completed at each lending decision stage.

It would appear from the data that Miss W's financial difficulty started around December 2021. I say this because her unsecured debt around this time was £15,172 – almost treble the unsecured debt she was showing at the last lending decision, and her total credit limits were £31,200. So I'm not persuaded that Miss W's financial difficulty (or her subsequent work/mental health problems she's told us about) could have been foreseen even at the last credit limit increase by Tesco due to the figures being a lot lower at the time of the last credit limit increase checks, and I would not expect Tesco to know Miss W couldn't have paid her priority bills when she often made repayments far higher than her required minimum repayment.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Tesco lent irresponsibly to Miss W or otherwise treated her 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.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 30 December 2025.

Gregory Sloanes
Ombudsman