

The complaint

Mr R complains that Barclays Bank UK PLC trading as Tesco Bank lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

Mr R applied for a Tesco Bank credit card in January 2019. In his application, Mr R said he was earning £36,000 that Tesco Bank calculated left him with £2,400 a month after deductions. Mr R also said he was living with his parents. A credit search found Mr R owed around £4,500 in existing unsecured debts and that his payments were up to date. No County Court Judgements (CCJs) were noted on Mr R's credit file. Default information that was 31 months old was noted on Mr R's credit file. Tesco Bank applied its affordability criteria and used estimates for Mr R's regular outgoings, calculating a disposable income of £823 a month after deductions. Tesco Bank approved Mr R's application and issued a credit card with a £250 limit.

Mr R used the credit card and Tesco Bank went on to increase the credit limit to £600 in May 2019, £900 in October 2019 and £1,200 in May 2020.

Last year, representatives acting on Mr R's behalf complained that Tesco Bank lent irresponsibly and it issued a final response. Tesco Bank said it had carried out the relevant lending checks and didn't agree it lent irresponsibly by approving Mr R's application or increasing the credit limit.

An investigator at this service looked at Mr R's complaint. They thought Tesco Bank had completed reasonable and proportionate checks before approving Mr R's application and increasing the credit limit and weren't persuaded it lent irresponsibly. Mr R's representatives asked to appeal and said Tesco Bank had ignored credit file warnings and a sharp increase in his unsecured debt by the third credit limit increase. Mr R's representatives also pointed to cash withdrawals and some overlimit fees on his credit card. As Mr R's representatives asked to appeal, his complaint has been passed to me to make a 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.

Before agreeing to lend or increasing the credit limit, the rules say Tesco Bank had to complete reasonable and proportionate checks to ensure Mr R could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and

- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information Tesco Bank obtained and used when considering Mr R's application above. I can see that even though Mr R confirming he was living with his parents, Tesco Bank applied estimates for Mr R's housing outgoings and general living expenses to the application. In addition, Tesco Bank carried out a credit search and found Mr R's existing debts were up to date and totalled around £4,500. Tesco bank ultimately reached the view Mr R had around £823 available each month after covering his outgoings and approved his application. I think it's reasonable to note the initial credit limit was low at £250 which reduced the risk of financial harm to Mr R. In my view, the level and nature of checks Tesco Bank completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Mr R's application and issue a credit card with a limit of £250 was reasonable based on the information Tesco Bank obtained. I'm sorry to disappoint Mr R but I haven't been persuaded that Tesco Bank lent irresponsibly when it approved his application.

Tesco Bank has explained that its systems carry out an automated affordability assessment before each credit limit increase is offered to its customers. As the systems were automated Tesco Bank has supplied manual checks that seek to mirror the information it used when increasing the credit limit. I understand Mr R's representatives feel the approach is unreasonable, but I'm not persuaded that's fair. I have also seen the results obtained from the systems based credit limit increases. I'm satisfied the details in those assessments has been used to help Tesco Bank recreate the lending checks it completed at the time.

Before the first credit limit increase, Tesco Bank used a service provided by the credit reference agencies to help verify Mr R's income and found he was earning £2,772 a month after deductions. Mr R's credit file showed his unsecured debt had increased over the preceding months and that he now owed £8,172. No recent arrears were found by Tesco Bank on Mr R's credit file. The affordability information shows Tesco Bank will have taken estimates of 30% of Mr R's monthly take home pay as his rent, 30% as his living expenses and further deductions were made to cover his existing debts. Tesco Bank reached the conclusion Mr R had a disposable income of £407 a month after covering his existing outgoings and living expenses.

Whilst I can see Mr R's existing debts had gone up, he appears to have been managing them. And I think it's reasonable to note the credit limit increase to £600 still meant Mr R had a reasonably low credit limit. Overall, I'm satisfied the level and nature of Tesco Bank's checks were reasonable and proportionate to an increase of £350 to the existing credit limit, taking it to £600. And I'm satisfied Tesco Bank acted reasonably by approving the credit limit increase based on the information it found. I'm sorry to disappoint Mr R but I haven't been persuaded Tesco Bank lent irresponsibly when it approved the first credit limit increase.

The second credit limit increase was approved in October 2019, taking the limit to £900 – an increase of £300. Again, Tesco Bank has supplied the manual calculations based on the information its systems hold. That shows the affordability assessment was in line with the previous credit limit increase, making deductions for Mr R's rent and living expenses totalling £1,663 a month. Mr R's debts were up to date based on the credit file information Tesco Bank obtained. And Mr R's total unsecured debt had reduced slightly to £7,820 which indicates he was managing his finances. The credit file data doesn't show any recent arrears

or new defaults. Tesco Bank says Mr R had an estimated disposable income of £574 after covering his existing outgoings and I'm satisfied that was a reasonable conclusion to reach based on the available information. I also think it's reasonable to note that whilst the credit limit was being increased, Tesco Bank appear to have taken a reasonably cautious approach, putting it up by £300 to £900.

Having considered the available information, I'm satisfied that the lending checks Tesco Bank carried out were proportionate to the £300 credit limit increase it went on to approve. And I'm satisfied the decision to approve Mr R's credit limit of £900 was reasonable based on the information Tesco Bank obtained. As a result, I haven't found that Tesco Bank lent irresponsibly when it approved the credit limit increase to £900 in October 2019.

The final credit limit increase took place in May 2020. The credit file information shows Mr R's unsecured debts had increased significantly and now stood at around £22,000. But I think it's fair to note that the majority of the debt was due to an increase caused by a loan Mr R took. And the credit file results Tesco Bank obtained don't show any recent missed payments, new defaults or CCJs. In addition, Tesco Bank's checks returned a significantly higher income figure of £4,583 a month for Mr R which indicates that his circumstances had improved since the previous credit limit increase.

The affordability data shows estimates for Mr R's rent and general living expenses were around £2,748 a month and I can see his existing monthly repayments were also taken into account by Tesco Bank. Even with the increase in unsecured debt, Tesco Bank found Mr R had a disposable income of £558 a month. I've considered the information provided and I think the level and nature of checks Tesco Bank carried out were reasonable and proportionate to the £300 increase to Mr R's credit limit it went on to approve. And I'm satisfied the decision to increase Mr R's credit limit to £1,200 was reasonable based on the information Tesco Bank obtained. I'm sorry to disappoint Mr R but I haven't been persuaded that Tesco Bank lent irresponsibly.

In response to the investigator, Mr R's representatives pointed to cash advances he'd taken and some overlimit fees applied to his account during the period Tesco Bank was increasing his credit limit. But I think it's reasonable to note that cash advances were allowed as part of the credit card's terms and conditions. And Mr R only took three cash advances in this period which, in my view, doesn't indicate he was reliant on them to make ends meet. I can also see two overlimit fees applied in 2019. But Mr R's account was quickly brought up to date and I haven't been persuaded they were enough to cause Tesco Bank to take a different approach with its lending checks.

For the reasons I've noted above, I haven't been persuaded that Tesco Bank lent irresponsibly to Mr R.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Tesco Bank lent irresponsibly to Mr R or otherwise treated him unfairly. 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 decision is that I don't uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 August 2025.

Marco Manente
Ombudsman