

The complaint

Mrs O complains that Barclays Bank UK PLC trading as Tesco Bank irresponsibly provided her with two unaffordable loans.

What happened

Mrs O was provided with the following loans by Tesco Bank. I've rounded values in some instances for ease:

Loan	Date	Capital amount	Term (months)	Monthly repayments	Total repayable amount
Loan one	January 2023	£7,500	60	£140	£8,520
Loan two	March 2024	£18,000	84	£300	£25,340

Mrs O complained to Tesco Bank in October 2024 about unaffordable lending. She said Tesco Bank hadn't completed proportionate checks before providing these loans; and that had it done so it ought to have identified they weren't affordable for her. She said this as she was borrowing from friends and family and using borrowing to repay borrowing. Mrs O has said Tesco Bank acted unfairly by providing these loans.

Tesco Bank issued a final response in which it didn't uphold Mrs O's complaint. In summary, it said its checks were reasonable and proportionate and that it had gone on to fairly provide Mrs O with these loans. Unhappy with Tesco Bank's response Mrs O referred her complaint to our service for review.

One of our investigators looked at the details and ultimately upheld the complaint in part. She considered Tesco Bank had made a fair lending decision when providing loan one; but that its checks ought reasonably to have led to it identifying loan two wasn't sustainably affordable for Mrs O.

Mrs O doesn't appear to have disputed our investigator's latest view; Tesco Bank didn't agree. In summary, it maintained its arguments that it completed proportionate checks and reasonably concluded loan two was sustainably affordable for Mrs O. It therefore considers it made a fair lending decision when providing loan two.

As an agreement couldn't be reached the 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.

The information in this case is well known to Mrs O and Tesco Bank, so I don't intend to repeat it in detail here. Instead, I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed

everything available to me. I don't mean to be discourteous to Mrs O or Tesco Bank by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've taken this approach into account to help me decide Mrs O's complaint.

As there doesn't appear to be any disagreement with our investigator's latest non-uphold view of loan one, I don't intend to provide detailed findings about this lending decision. However, for the avoidance of doubt, I agree with our investigator that Tesco Bank fairly provided loan one. I say this because:

- Mrs O declared the purpose of the loan to be for consolidation of existing debts; and I don't consider there was anything to suggest Tesco Bank shouldn't have accepted Mrs O's declaration in good faith.
- Mrs O had a high level of revolving credit which would largely have been able to be consolidated with this loan. I consider the revolving credit would, more likely than not, have been on less beneficial repayment terms to this loan. So, by consolidating these debts Mrs O would have benefited from structured repayment of her debt at a lower monthly cost.
- The affordability calculations reasonably evidenced that Mrs O would be able to sustainably afford the repayment of this loan.

Turning to loan two, I've decided this lending wasn't provided fairly. I say this because:

- I consider Tesco Bank had obtained enough information from its checks for it to have concluded this lending wasn't sustainably affordable for Mrs O. I say this because Tesco Bank could see a heavy and increased reliance on credit.
- Mrs O's total revolving credit had increased from around £11,000 at the point of loan one to around £19,000 at the point of loan two; and her total debt had increased from around £14,000 to £26,000 across this same period of time.
- Loan one's purpose had been declared as debt consolidation; however, the credit file data Tesco Bank obtained suggests that either Mrs O hadn't used loan one to consolidate her debts as she'd declared or, and in any event, she'd obtained significant further lending by way of revolving credit accounts in the 14 months between these lending events.
- By approving this loan Tesco Bank increased Mrs O's total indebtedness to over £51,000, significantly more than her verified yearly income. And, more concerningly Mrs O's commitment to credit would be around £1,400 per month – more than 50% of her monthly income – which I don't consider to be sustainable, especially given such a sizeable term.
- Tesco Bank's calculations for expenditure included 20% of Mrs O's monthly income for living costs. However, I note that at loan one, and in its affordability assessments for credit card lending, it used 30%. I'm not satisfied 20% is reasonable, given this would need to include costs associated with housing such as utilities and insurances, food, travel, clothing, and costs associated with owning a car, given the purpose of this loan was declared as a car purchase. A more reasonable figure of 30% in the individual circumstances for living costs would make this new loan unaffordable,

based on all other calculations.

- Based on the information Tesco Bank obtained about Mrs O's circumstances at the point of loan two, I consider it should have realised Mrs O was likely to be unable to sustainably repay what she was being lent; and it therefore follows I don't consider Tesco Bank made a fair lending decision when providing loan two.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mrs O in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't consider Tesco Bank should have provided loan two, I don't consider it fair that Mrs O should pay any interest or charges under the agreement. However, Mrs O has had the use of the capital amount lent, so I consider it fair that she repays this. As such Tesco Bank should take the following action to resolve this complaint:

- Add up the total repayments Mrs O has made towards loan two and deduct these from the total amount of money Mrs O received.

AND

- If this results in Mrs O having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). † Tesco bank should also remove all adverse information regarding this account from Mrs O's credit file.

OR

- If a capital balance remains outstanding then Tesco Bank should arrange an affordable and suitable payment plan with Mrs O. Once the outstanding balance has been repaid any adverse information reported to her credit file about this account should be removed.

† HM Revenue & Customs requires Tesco Bank to take off tax from this interest. It must give Mrs O a certificate showing how much tax it's deducted if she asks for one.

If Tesco Bank has sold or passed this debt to a third party, it should ensure the above redress is carried out, by either buying the debt back or requiring the third party to take action resulting in this outcome.

My final decision

My final decision is that I uphold this complaint and direct Barclays Bank UK PLC trading as Tesco Bank to take the above action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 13 January 2026.

Richard Turner
Ombudsman