

The complaint

Miss A complains that Barclays Bank UK PLC trading as Tesco Bank (“Tesco”) lent to her irresponsibly when it provided her with a credit card account.

What happened

Miss A applied online for a credit card with Tesco on 21 January 2023. Tesco approved the application and granted Miss A a credit card account with a credit limit of £7,500 and this limit never increased.

In September 2024 Miss A complained to Tesco that it had lent to her irresponsibly.

On 15 October 2024 Tesco issued Miss A with a final response letter (“FRL”). Within the FRL, Tesco explained how it had assessed the affordability of the original credit card limit and to say that it didn’t consider it had lent irresponsibly.

Unhappy with the FRL from Tesco, Miss A brought her complaint to us.

Miss A’s complaint was considered by one of our investigators who didn’t uphold it.

Miss A didn’t accept the investigator’s view, so her complaint has been passed to me for review and decision.

On 13 August 2025 I issued a provisional decision on this case. In summary I said:

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint and having done so I’ve reached a different conclusion from that of our investigator.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss A’s complaint.

Having carefully thought about everything I’ve been provided with, I’m considering upholding Miss A’s complaint. I’d like to explain why in a little more detail.

Tesco's decision to grant Miss A an account in January 2023

Tesco was required to lend responsibly. It needed to conduct checks to make sure that the credit it offered to Miss A was affordable and sustainable. Such checks need to be proportionate to things like the credit limit offered to Miss A and how much she had to repay each month.

This means to reach my decision I need to consider if Tesco carried out proportionate checks at the time of Miss A's application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown. The regulations regarding assessing affordability meant Tesco must assume that the borrower draws down the entire credit limit at the earliest opportunity and repays it at the earliest opportunity over a reasonable period. So Tesco ought to have thought about whether Miss A could afford to pay back the full amount of the credit limit over a reasonable period.

What's important to note is that Miss A was provided with a revolving credit facility rather than a loan. So Tesco needed to assess Miss A's affordability in the first instance and then whether she could sustainably afford to repay the £7,500 limit within a reasonable period of time, rather than all in one go. The only guidance within the regulations about what constitutes a reasonable period of time is that the lender should have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit.

As part of Miss A's application, she declared that she was employed full time, living with her parents at the time of the application, with no dependants and with a gross annual income of £26,868 which equated to £1,850 per month. Tesco told us that this information was verified by a credit reference agency (CRA).

Tesco says it conducted a credit check to determine whether to lend to Miss A. Tesco, from the credit checks it conducted and the information Miss A provided, assessed her expenditure to be in the region of £1,531 a month based on £564 living expenses, housing costs of £515 and other credit commitments of £452 (and an amount of £25 for inflation and a buffer). Tesco said that this gave Miss A a disposable income in the region of £294 a month.

Tesco said there wasn't any adverse information on Miss A's credit file and a limit of £7,500 appeared affordable for her. Tesco told us that Miss A stated on her application that her housing costs were in fact £100 a month as she was living with her parents and that would have given Miss A an increased disposable income. However, Tesco told us it used the higher housing costs to mitigate the impact of Miss A moving and having increased expenses in the future. I think this was a reasonable stance to take in looking at the sustainability of the credit limit over time. But in any case, this doesn't appear to be an accurate reflection as Miss A told us at the time of the application she was contributing £400 a month towards rent, with her partner also contributing half. And this is confirmed from the statements that Miss A has provided us.

The CRA data showed Miss A had six active accounts with a total outstanding debt of £5,113 consisting of an outstanding loan amount of £5,005 (costing £145 a month) and £108 outstanding in revolving credit. However, this information wasn't correct.

Miss A told us that the CRA checks that Tesco conducted didn't show an additional loan that was costing £309 a month and an additional credit card account. Miss A kindly provided a copy of her credit file, along with additional bank statement which I'm grateful for and which confirms that the additional loan was in place when she applied to Tesco for the credit card but for some reason, the additional credit card account was missing. However, I've also seen

evidence that this additional credit card was also in place. And from Miss A's credit file I can see that one of her credit cards was over the agreed limit at the time of this application and had also exceeded the limit in the two months prior to the application.

Tesco told us the discrepancy could be due to the loan and credit card with the same provider being registered at a different address at the time. But Miss A disputes this and told us that she has always updated any change of address. Whatever the reason, I do find it disturbing that both a loan and credit card that Miss A clearly had prior to the application, together with the adverse credit information, wasn't visible to Tesco.

Although from what Tesco told us that Miss A didn't have any significant adverse information such as defaulted accounts or county court judgements recorded against her at the time she applied for the limit (and which on the face of it suggests Miss A was reasonably managing the credit she had already been provided with), I don't think the checks conducted by Tesco were proportionate, given the amount of credit it initially agreed.

I say this as given the possibility of Miss A owing a further amount of £7,500, I do think that it would have been reasonable and proportionate for Tesco to find out a bit more about Miss A's regular living costs, including her credit commitments before offering the credit limit. I can't see that Tesco did this and instead relied on what Miss A declared at the time she initially applied for the card together with the CRA data.

As I've not been persuaded that Tesco carried out sufficient checks before agreeing the credit limit, I've gone on to decide what I think it is more likely than not to have seen had it obtained further information from Miss A. And in doing so, I acknowledge that Tesco wasn't required to obtain bank statements from Miss A. I've simply considered what Tesco is likely to have done if it had taken reasonable steps to obtain the information that I think was missing from its checks. And in this instance, I think had Tesco asked Miss A for a full breakdown of her expenditure, I think the discrepancies in the credit checks Tesco conducted compared to the credit file Miss A provided would have come to light.

Tesco assessed Miss A's disposable income to be around £294 from the information it obtained prior to the credit limit being agreed. But had Tesco asked Miss A about her full credit commitments, I'm satisfied she would have disclosed both the additional loan and credit card. And given that the repayments for the loan alone were £309 a month, without factoring in the existing and potential further additional revolving credit repayments, on balance, I don't think that the credit limit was either affordable or sustainable for Miss A.

Miss A has told us and I've seen evidence that since the credit limit was agreed by Tesco, she has had to take out further credit agreements with various providers and is now on a debt management programme. I think this corroborated the fact that the credit card limit that Tesco agreed wasn't affordable or sustainable in the first place.

So on balance, I'm not satisfied that Tesco's checks were proportionate and I don't think it made a fair lending decision in January 2023 and so I intend to uphold this complaint.

Although I intend to uphold this complaint, I'd also like to remind Tesco of its responsibility to treat Miss A with due consideration and forbearance going forward and I genuinely hope that Miss A's financial situation improves.

Did Tesco act unfairly in any other way

I've also considered whether Tesco acted unfairly or unreasonably in any other way, including whether the relationship between Miss A and Tesco might have been unfair under

Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that what I direct below results in fair compensation for Miss A given the overall circumstances of her complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Miss A accepted my provisional decision but Tesco didn't but didn't provide any new material evidence for me to consider.

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.

As I haven't any new evidence to consider from either Tesco or Miss A, I see no reason to depart from my provisional findings and I now confirm them as final.

My final decision

My final decision is I uphold this complaint against Barclays Bank UK PLC trading as Tesco Bank.

As I consider Barclays Bank UK PLC trading as Tesco Bank treated Miss A unfairly, it needs to take steps to rectify the mistakes it made from January 2023 onwards.

When we consider a consumer shouldn't have been given credit, our usual approach is to ask the business to refund the interest and charges added to the borrowing that shouldn't have been given. So for this complaint, this means removing all interest and charges applied to any balances Miss A accrued since the card was approved in January 2023.

To put things right Barclays Bank UK PLC trading as Tesco Bank need to:

- Rework the account removing all interest, fees and charges.
- If the rework results in a credit balance, this should be refunded to Miss A along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclays Bank UK PLC trading as Tesco Bank should also remove all adverse information recorded after January 2023 regarding this account from Miss A's credit file, or
- Alternatively, if after the rework there is still an outstanding balance, Barclays Bank UK PLC trading as Tesco Bank should arrange an affordable repayment plan with Miss A for the remaining amount. Once this outstanding balance has been cleared, any adverse information in relation to this account should be removed from Miss A's credit file.

*If HM Revenue & Customs requires Barclays Bank UK PLC trading as Tesco Bank to deduct tax from any award of interest, it must give Miss A a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 24 September 2025.

Paul Hamber
Ombudsman