

The complaint

Mr K complains that Barclays Bank UK PLC trading as Tesco Bank irresponsibly lent to him.

What happened

Mr K was approved for a Tesco credit card in October 2018, with a £250 credit limit. The credit limit was increased to £600 in February 2019. Mr K says that the following credit limit increases from 2020 onwards were unaffordable and they were lent irresponsibly to him:

May 2020	£600 to £900
August 2020	£900 to £1,200
November 2020	£1,200 to £1,500
April 2021	£1,500 to £1,800
July 2021	£1,800 to £2,100
October 2021	£2,100 to £2,400
January 2024	£2,400 to £3,400

Mr K made a complaint to Tesco, who did not uphold his complaint. Tesco said that Mr K had sufficient affordability to meet the repayments for his credit limits. Mr K brought his complaint to our service.

Our investigator partially upheld Mr K's complaint. He said that Tesco shouldn't have increased Mr K's credit limit above £1,800 in July 2021, as repayments would not be sustainable or affordable for Mr K, based on bank statements he'd viewed for Mr K.

Tesco asked for an ombudsman to review the complaint. They said they hadn't seen Mr K's bank statements to support what our investigator told them. They said that their checks showed Mr K was paying £163 a month for non-revolving debt, and he would have enough monthly net disposable income in order to meet repayments for a £2,100 credit limit.

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 approve the credit available to Mr K, Tesco needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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.

May 2020 credit limit increase - £600 to £900

As the complaint that Mr K has brought to our service only comments about the lending

decisions from 2020 onwards being unaffordable/irresponsible, then I have not looked at the lending decisions prior to the May 2020 credit limit increase.

I can see that as part of Mr K's application, he declared a gross annual income of £16,000, and a net monthly income of £1,175. Tesco's affordability calculations showed they were still using a net monthly income for Mr K of £1,175 for their lending checks here.

A Credit Reference Agency (CRA) reported that at the time of this lending decision, Mr K had revolving debt (such as credit cards/store cards/overdrafts etc) of £572, and he had non-revolving debt (such as personal loans/hire purchase agreements etc) as being £2,335.

The CRA also reported no recent arrears on Mr K's credit file, no defaults, and no County Court Judgements (CCJ's). But Tesco would have also been able to see how Mr K used his Tesco credit card since the last lending decision.

Mr K made no late repayments, but he incurred six overlimit fees, which could be a sign of financial difficulty. But I note that four of these were in 2019. His last overlimit fee was not within three months prior to the credit limit being increased, and the month after he incurred the fee, he made a repayment which was double his minimum requested repayment. So if Mr K was experiencing financial difficulties here, I'm not persuaded that he would be able to make double his requested payment.

Mr K also made double his requested repayment on 30 April 2020, shortly before the credit limit increase. So I'm persuaded that Tesco's checks were proportionate here, and they made a fair lending decision.

August 2020 credit limit increase - £900 to £1,200

A CRA reported that Mr K's total active unsecured debt was at £3,438, which was higher than the last lending decision, but not significantly higher. The CRA also reported no recent arrears on Mr K's credit file, no defaults, and no CCJ's. And again, Tesco would have also been able to see how Mr K used his Tesco credit card since the last lending decision.

Mr K incurred no late or overlimit fees. In one of the statement periods, he repaid double his requested minimum repayment, and in another statement period he repaid quadruple the requested payment, therefore it would appear that Mr K had a sufficient disposable income in order to make sustainable repayments for a higher credit limit. So I'm persuaded that Tesco's checks were proportionate here, and they made a fair lending decision.

November 2020 credit limit increase - £1,200 to £1,500

A CRA reported that Mr K's total active unsecured debt was at £4,009 which was higher than the last lending decision, but not significantly higher. The CRA also reported no recent arrears on Mr K's credit file, no defaults, and no CCJ's. And again, Tesco would have also been able to see how Mr K used his Tesco credit card since the last lending decision.

Mr K incurred no late or overlimit fees. In each statement period, he repaid more than his requested minimum repayment, on one occasion he made double the requested repayment, and in another statement period he repaid more than treble the requested payment, therefore it would appear that Mr K had a sufficient disposable income in order to make sustainable repayments for a higher credit limit. So I'm persuaded that Tesco's checks were proportionate here, and they made a fair lending decision.

April 2021 credit limit increase - £1,500 to £1,800

The CRA reported that Mr K had £4,147 of unsecured debt, which was slightly higher than at the last lending decision, but his non-revolving debt had slightly fallen since the last lending decision.

The CRA also reported no recent arrears on Mr K's credit file, no defaults, and no CCJ's. And again, Tesco would have also been able to see how Mr K used his Tesco credit card since the last lending decision.

Mr K incurred no late fees, but he did incur two overlimit fees which could be a sign of financial difficulty. So based on these being not too long prior to this lending decision, I'm persuaded that Tesco should have made further checks to ensure the lending was affordable and sustainable for Mr K.

There's no set way of how Tesco should have made further proportionate checks. One of the things they could have done was to contact Mr K to find out why he exceeded his credit limit on more than one occasion and to ensure he could afford the repayments on his Tesco credit card. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr K has provided his bank statements leading up to this lending decision. Mr K's statements show he is often four figures overdrawn. But being overdrawn by itself does not automatically mean that Mr K wouldn't be able to make affordable and sustainable repayments for a £1,800 credit limit.

But there are other signs that Mr K is financially struggling here. Not only does he take a payday loan alternative loan of £200, but he has a returned direct debit of £31.90 for each of the three statements I looked at.

To be fair to both parties though, it appears that the returned direct debits are through poor management as opposed to Mr K not being able to afford the repayment. I say this as the direct debit is taken 1-2 days before his wages credited his account on two occasions, and Mr K appears to have money in another account in February 2021 when the direct debit is returned, he transfers £83 into his account. It also appears that Mr K transfers money into another account shortly after he has been paid (the amount varies depending on how much Mr K is paid).

I'm also mindful that Mr K was making payments greater than his minimum repayment to his Tesco account. So even if Tesco would have made further checks here, I'm persuaded that they would have concluded that Mr K could afford a £300 credit limit increase, and they made a fair lending decision here.

July 2021 credit limit increase - £1,800 to £2,100

The CRA reported that Mr K's unsecured debt had fallen to £3,717, and they again reported no recent arrears on Mr K's credit file, no defaults, and no CCJ's. On the surface it looked like Mr K had been managing his Tesco account well since the last lending decision.

But Mr K is showing as making a £1,791.99 payment on 15 June 2021 – just shortly before the credit limit increase. This was not showing as a card payment like the other payments he made that month. So this could have been from a balance transfer as the £1,791.99 payment was substantially higher than the £1,175 net monthly income that Tesco thought Mr K was still earning.

While I can't rule out a pay rise/bonus/promotion etc for Mr K to explain how he was able to make this payment without taking on more debt, I'm persuaded that this should've prompted

further checks from Tesco, especially as this was out of the ordinary for Mr K's account, and due to the overall debt falling as opposed to rising. Further checks would have easily shown how Mr K was able to make this large repayment (either through an increased wage or bonus, or by further borrowing, which wasn't reflecting on his credit file yet, or another reason).

As I previously explained in the last section, there's no set way of how Tesco should have made further proportionate checks. Mr K has provided his bank statements leading up to this lending decision.

As Tesco said they did not see Mr K's statements for this time period also, to be fair to both sides I asked our investigator to forward these to Tesco, and I attempted to mediate on this complaint as I had the following observations on Mr K's bank statements leading up to this lending decision (which Tesco are aware of).

I told Tesco that Mr K's salary was £1,377, yet he borrowed £350 from a payday alternative provider on 2 June, and a further £1,708.01 later that month. Mr K's June 2021 bank statement showed a bank loan with a payment of £100 (the repayments started in May 2021, which could suggest a new loan), a payday alternative payment of £63, a bank loan with a repayment of £790 a month, (of which the repayment started in June 2021, which could suggest a new loan), another payday alternative payment for £429, and another loan repayment of £251.

In their affordability calculations, Tesco used a non-revolving repayment monthly figure of £163, but the figures mentioned in the previous paragraph total £1,633 for the month, which is more than Mr K's normal salary crediting his account.

I acknowledge that Tesco are entitled to rely on the information from a CRA in good faith. What appears to have happened here is that Mr K took out a number of credit agreements in a short period of time and either his lenders did not report this information to all of the different CRA's (for example the one Tesco used), or his credit file had not been updated yet to reflect the recent borrowing. So I can't fairly say that Tesco's initial checks could have identified this.

But I do think further Tesco checks would have identified this, and I set out earlier in this section why I was persuaded that further checks were needed here. So although Tesco rejected mediation as they said the new June 2021 lending didn't show in the July 2021 data, (and therefore they said I was using hindsight to support the decision), I don't agree with this based on Tesco should have made further checks prior to this credit limit increase for the reasons I mentioned earlier.

I'm therefore persuaded that in July 2021, if Tesco had made further checks such as asking Mr K his outgoings, or how he managed to make a repayment substantially higher than his wages, or checked his bank statements – of which his bank statement for June 2021 would have been available, then it would be clear – without hindsight - but clear at the time of the checks, that the repayments for a £2,100 credit limit would not be affordable and sustainable for Mr K, therefore, I can't fairly conclude that Tesco made a fair lending decision here.

Further credit limit increases

If Mr K's credit limit was not increased to £2,100, then it's probable that the further lending decisions wouldn't have happened after this either. So I think there is an argument for saying that Mr K's complaint about the subsequent lending decisions should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in July 2021, then I'm not persuaded that

Tesco would've added to the credit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr K in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that Tesco takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if Tesco do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

My final decision

I uphold this complaint in part. Barclays Bank UK PLC trading as Tesco Bank should take the following actions;

Tesco should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £1,800 after 20 July 2021;

If the rework results in a credit balance, this should be refunded to Mr K along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Tesco should also remove all adverse information regarding this account from Mr K's credit file recorded after 20 July 2021;

Or, if after the rework the outstanding balance still exceeds £1,800, Tesco should arrange an affordable repayment plan with Mr K for the remaining amount. Once Mr K has cleared the balance, any adverse information recorded after 20 July 2021 in relation to the account should be removed from his credit file.

**If Tesco considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr K how much they've taken off. They should also give Mr K a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 3 February 2026.

Gregory Sloanes
Ombudsman