

The complaint

Mr A, who is represented by a third party, complains that Barclays Bank UK PLC, trading as Tesco Bank ('Tesco Bank'), irresponsibly agreed to give him a credit card account he says he couldn't afford to repay.

What happened

In March 2020 Mr A was accepted for a credit card with Tesco Bank and given a credit limit of £1,500.

Then, in February 2022, he was approved for a credit limit increase to £3,000.

Mr A has complained to Tesco Bank, saying that both the opening credit and the credit limit increase that followed was unaffordable for him. He says this was something Tesco Bank should have realised from when it carried out its checks.

Our investigator didn't think the complaint should be upheld.

Since Mr A doesn't agree with our investigator's findings, his complaint has been passed to me for 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.

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

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Tesco Bank needed to make sure that it didn't lend irresponsibly. In practice, what this means is Tesco Bank needed to carry out proportionate checks to be able to understand whether Mr A could afford to repay before agreeing to any credit. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

It's with these considerations in mind that I've looked into Tesco Bank's two lending decisions – for the initial account opening and then for the credit limit increase.

Account opening – March 2020

Tesco Bank has explained that for its checks it relied in part on information that Mr A provided at the time he made his application. It also looked into his credit record and then went on to make an affordability calculation.

Tesco Bank accepted what Mr A told them on his application, saying that he was in full time employment, living at home, and receiving a net monthly income of £1,400. Tesco Bank's credit search showed that Mr A owed around £1,700 in existing credit debt, including loan debt of just over £1,100 with the balance on credit card or similar revolving credit. So, this gave Tesco Bank a level of understanding of how Mr A had been managing his debt and whether there were any adverse markers in his recent credit history such as late payments or accounts going into default. Tesco Bank allowed around £100 per month for his existing debt repayments and a further £70 for his new card.

Based on these checks, Tesco Bank was then able to make an assessment of the likely affordability of the credit, using its own scoring metric.

In terms of affordability, Tesco Bank relied on statistical data to calculate what Mr A's housing and living costs alongside his committed credit costs, were likely to be. Tesco Bank used a higher figure for housing costs than that provided by Mr A. Based on his level of income and likely household costs alongside repaying his existing credit, Tesco Bank found that the new account looked to be affordable and that Mr A would likely be able to afford to manage and sustainably repay the new credit, having sufficient disposable income to be able to do so.

I think at this point Tesco Bank had little reason to make further enquiries into Mr A's spending, based on what the checks showed. I therefore don't think Tesco Bank was put on notice of any reason not to agree the lending, or that better checks were needed. It follows that I don't think Tesco Bank acted unfairly when approving the opening credit limit.

Credit limit increase – February 2022

At this point Mr A was declaring a net monthly income of just over £1,700 from his employment, which Tesco Bank again relied on.

Mr A's level of credit owing had by now increased to around £5,400. Tesco Bank says this would have cost him around £330 per month to pay off. I don't consider that to be an unreasonable figure for the purposes of estimating his level of commitment each month towards debt. He'd also have to find another £75 to pay off his card if he used it to the full extent of its credit limit.

Tesco Bank also again looked into how much Mr A would need each month to meet his housing and living costs. Tesco Bank says it allowed £517 for housing costs and another £517 for living costs. Like our investigator, I can't see the base data for these figures. But I'm in broad agreement that once these costs, plus his existing debt and new limit are allowed for, he'd have to find around £1,450, leaving him with around £275 in disposable income each month.

Those representing Mr A have suggested that Mr A's reliance on short-term high-cost lending ought to have flagged to Tesco Bank that he didn't have enough disposable income.

I agree that the specific details of this particular item of borrowing don't appear in the credit search it relied on. But even if it did, I'm not of the view that this alone would have been enough for Tesco Bank to reconsider its decision to grant the credit or prompt it to carry out further checks.

Given the queries raised about the data used by Tesco Bank, I've also considered Mr A's current account statements so as to get an idea of whether what it says it saw at the time of each lending decision was broadly consistent. At the time of the initial lending Mr A had been receiving an average net monthly salary of around £1,700 – significantly higher than what he stated – although I've seen that his weekly levels of pay were subject to variation. Looking at the limit increase, Mr A was earning an average net monthly salary of £1,600 – a bit less than the figure of £1,700 relied on by Tesco Bank, but he would still be likely to be left with around £175 in disposable income each month after paying the new card with its increased limit. For both decisions, Mr A looked to be managing his finances reasonably well and I can't see anything significant to show or suggest that his financial circumstances might have been at risk of deterioration. And I don't think the extent of his use of the card – given that he managed the card without getting into difficulties with missed or late payments – is in itself enough to suggest he might have been financially overstretched.

I therefore remain satisfied that the lending decisions were fair. I've not seen enough to show or suggest that Mr A wouldn't be in a position to repay the initial credit or the later increase on a sustainable basis.

It follows that I'm not persuaded that Tesco Bank made a decision to lend that was unfair, either for the account opening or the limit increase.

I've also considered whether the relationship between Mr A and Tesco Bank 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 A 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

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 November 2025.

Michael Goldberg
Ombudsman