

Complaint

Mrs H has complained about a personal loan which Barclays Bank UK PLC (then trading as “Tesco Bank”) provided to her. She’s said that the correct checks weren’t done and if they had been it would have been clear that the loan repayments were unaffordable, which caused her ongoing financial difficulty.

Background

In November 2016, Tesco Bank provided Mrs H with a loan for £25,000.00. The loan had an APR of 8.8% and a term of 86 months. As a result, the total amount to be repaid of £33,688.20, which included interest, fees and charges of £8,688.20, was due to be repaid in 84 monthly payments of £401.65.

In April 2025, Mrs H complained saying said that this loan was unaffordable and this created ongoing financial difficulty. Tesco Bank did not uphold Mrs H’s complaint. It thought that it carried out reasonable and proportionate checks before agreeing to lend to Mrs H and this showed that it was reasonable to lend. When Mrs H’s complaint was referred to our service, Tesco Bank told us that we couldn’t consider the complaint as it was made too late.

One of our investigators reviewed what Mrs H and Tesco Bank had told us. He reached the conclusion that we could look at Mrs H’s complaint. However, he wasn’t persuaded that proportionate checks would have shown that the loan was unaffordable for Mrs H. So the investigator didn’t recommend that Mrs H’s complaint be upheld.

Mrs H disagreed with the investigator and asked for an ombudsman’s decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Tesco Bank has argued that part of Mrs H’s complaint was made too late because she complained more than six years after it provided her with her loan, as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret the complaint as being one alleging that the lending relationship between Mrs H and Tesco Bank was unfair to Mrs H as described in s140A of the Consumer Credit Act 1974 (“CCA”). She also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I’ve decided not to uphold Mrs H’s complaint. Given the reasons for this, I’m satisfied that whether Mrs H’s complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mrs H's complaint should be considered more broadly than just the individual lending decision. I consider this to be the case as Mrs H has not only complained about the circumstances behind Tesco Bank's individual decision to provide her with a loan, but also the fact she alleges that the provision of this loan created ongoing financial difficulty.

I'm therefore satisfied that Mrs H's complaint can therefore reasonably be interpreted as a complaint that the lending relationship between herself and Tesco Bank was unfair to her. I acknowledge the possibility that Tesco Bank may still disagree that we are able to look at Mrs H's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters. This includes Mrs H's submissions on why she believes she complained in time.

In deciding what is fair and reasonable in all the circumstances of Mrs H's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mrs H's complaint can be reasonably interpreted as being about that her lending relationship with Tesco Bank was unfair to her, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Tesco Bank) and the debtor (Mrs H), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mrs H's complaint, I therefore need to think about whether Tesco Bank's decision to lend to Mrs H, or its later actions resulted in the lending relationship between Mrs H and Tesco Bank being unfair to Mrs H, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs H's relationship with Tesco Bank is therefore likely to be unfair if it didn't carry out reasonable and proportionate checks into Mrs H's ability to repay this loan in circumstances where it doing so would have revealed the monthly payments to have been unaffordable, or that it was irresponsible to lend. And if this was the case, Tesco Bank didn't then somehow remove the unfairness this created.

I've considered Mrs H's complaint in this context.

Our typical approach to complaints about irresponsible or unaffordable lending

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 Mrs H's complaint.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is a for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement were affordable, this doesn't on its own meant that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances were we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mrs H's complaint.

Application to Mrs H's complaint – Why I don't think that Tesco Bank's decision to lend to Mrs H was unfair or unreasonable

Tesco Bank says it agreed to Mrs H's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on credit searches which it carried out. In its view, all of this information showed Mrs H could afford to make the repayments she was committing to.

On the other hand, Mrs H has said that this loan was unaffordable and created ongoing difficulty.

Were Tesco Bank's checks before lending to Mrs H reasonable and proportionate?

From what I've been able to see Mrs H told Tesco Bank that she was employed full time and had been with the same employer for around 30 years as part of her application. I note that Mrs H has said that she was working part time and told to input that she worked full time as she worked over 12 hours each week.

I don't know what if anything Mrs H was told. Indeed, whatever Mrs H may have been told, it's unclear who would have told her this. I say this particularly as the information indicates that Tesco Bank received Mrs H's application through an aggregator, rather than directly. In any event, as the application states Mrs H worked full time, it's difficult for me to say that it was unreasonable for Tesco Bank to rely on this being the case.

As I've explained, Tesco Bank also carried out a credit check before lending to Mrs H. Having reviewed the information on it, I can't see that Mrs H had any significant adverse information – such as defaulted accounts or county court judgments (“CCJ”) recorded against her.

I accept that Mrs H may have had some existing debts. However, while I accept that the limited information from the time means that the purpose of the loan is unknown, the amount of this loan closely matching the total amount Mrs H owed leads me to think that this loan may well have been taken to consolidate Mrs H's existing borrowing. Indeed, I note that she has referred to settling one of her loans elsewhere afterwards.

However, whether or not this was this loan was taken for consolidation purposes, given the amount lent, the term of the loan and the amount of the monthly payment, I would have expected Tesco Bank to have taken steps to understand what her non-mortgage monthly living costs were. However, I can't see that Tesco Bank had this information.

As I can't see that Tesco Bank did obtain this information from Mrs H, I'm not persuaded that the checks it carried out before providing this loan were reasonable and proportionate.

Would reasonable and proportionate checks have prevented Tesco Bank from lending to Mrs H?

As Tesco Bank didn't carry out sufficient checks before providing this loan to Mrs H, I've gone on to decide what I think Tesco Bank is more likely than not to have seen had it obtained the information that I think it should have gathered. As I've explained, bearing in mind the circumstances here, I would have expected Tesco Bank to have had a reasonable understanding about Mrs H's actual regular living expenses as well as her income and existing credit commitments.

I want to be clear in saying that this isn't the same as saying that Tesco Bank had to review bank statements in order to verify all of this, as how it found out what I think that it needed to find out was down to it. Nonetheless, as I'm considering what proportionate checks are likely to have shown after the event, copies of bank statements have in any event been provided and they have what I now need to assess this complaint, I don't think it is unreasonable for me to have a look at them with an idea to determining what I think Tesco Bank finding out more about Mrs H's circumstances is likely to have shown.

I've therefore considered the bank statements provided in order to determine what I think Tesco Bank finding out more about Mrs H's actual regular living costs are likely to have shown it. Having done so, I don't think that Tesco Bank attempting to find out about Mrs H's actual regular living costs would have made a difference here.

I say this because I've not seen anything that shows me that when Mrs H's committed regular living expenses, other non-discretionary expenditure and her existing credit commitments were deducted from her income she did not have the funds to make the monthly payments to this loan.

I accept that Mrs H's actual circumstances may not have been fully reflected either in the information she provided, or the information Tesco Bank obtained. For example, I note that she has referred to using her overdraft and her credit card debt. I'm sorry to hear about the health difficulties that Mrs H went on to experience and any resulting impact that this has had on her being able to pay this loan.

But Tesco Bank wouldn't have known about this and as a result I can't reasonably expect it to have known about this or factor it into its decision to lend either. This is particularly as I would expect it to have asked for statements for multiple accounts. For the sake of completeness, I would also add that there isn't a prohibition on lending to a borrower using an arranged overdraft.

With this in mind and having carefully considered everything and while I appreciate that this will disappoint Mrs H, I'm satisfied that proportionate checks are likely to have shown Tesco Bank that this loan was affordable for Mrs H.

I've also seen that Mrs H has referred to being unhappy with Tesco Bank's actions when she ran into difficulties making her payments. I can see that Mrs H did have payment difficulties during the pandemic and that temporary payment breaks were granted to her. I'm satisfied that this was a reasonable response in line with expectations.

The notes on Mrs H's account also show that the loan fell into arrears after a later change in family circumstances. These notes show that temporary payment arrangements were put into place, in order to provide Mrs H with some breathing space and see whether any issues were short-term rather than Mrs H being in a position where she couldn't keep to the terms of her arrangement.

I'm satisfied that this was a reasonable and proportionate response to Mrs H's difficulty making her payments. And as the account wasn't able to recover and appeared to be in long term-difficulty it wasn't unreasonable for Tesco Bank to pass Mrs H's account to its recoveries team as a result. So I don't think that Tesco Bank failed to exercise forbearance and due consideration in accordance with its obligations either.

Overall, and based on the available evidence I don't find that Mrs H's relationship with Tesco Bank was unfair. I've not been persuaded that Tesco Bank created unfairness in its relationship with Mrs H by irresponsibly lending to her when providing her with her loan. Based on everything I've seen, I don't find that Tesco Bank treated Mrs H unfairly in any other way either.

So while I can understand Mrs H's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Mrs H's complaint, I would remind Tesco Bank of its continuing obligation to exercise forbearance and due consideration, given what Mrs H has said about her health and family circumstances.

I would also encourage Mrs H to get in contact with and co-operate with any steps that may be needed to review what she might, if anything, be able to repay going forward. This is especially as Tesco Bank has said that it will consider matters should Mrs H provide sufficient medical evidence. Mrs H may be able to complain to us – subject to any jurisdiction concerns – should she be unhappy with Tesco Bank's actions in relation to exercising forbearance over the outstanding balance and it own this debt.

My final decision

For the reasons I've explained, I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 23 February 2026.

Jeshen Narayanan
Ombudsman