

### The complaint

Miss M complains that Barclays Bank UK PLC trading as Tesco Bank lent irresponsibly when it approved her credit card application.

### What happened

Miss M applied for a Tesco Bank credit card in November 2022. In her application, Miss M said she was living with her parents and working full time with an annual income of £27,285. Tesco Bank calculated Miss M had around £1,782 a month remaining after deductions. Tesco Bank carried out a credit search and found Miss M had a loan balance of £7,928 and credit card balances of £3,320 totalling £11,248. The credit file results showed Miss M was making monthly loan payments of £217 and credit card payments of £166. The credit file showed Miss M was using around 91% of her available credit card limits. One missed payment in the previous six months was noted on Miss M's credit file but they were up to date at the point of application.

Tesco Bank completed an affordability assessment using figures for Miss M's rent and general living expenses. Tesco Bank says that Miss M gave a rent figure of £150 a month in her application but the lending data shows it used a "housing expenses" estimate of £532 and "living expenses" estimate of £545 a month. Tesco Bank also applied the cost of servicing Miss M's existing debts to its affordability calculation. Tesco reached the view Miss M had a disposable income of around £300 a month after covering her existing outgoings and approved her application, issuing a credit card with a limit of £250.

Miss M used her credit card but the account fell into arrears in early 2023. In August 2023 a debt advice service contacted Tesco Bank on Miss M's behalf and applied for "breathing space" that suspended interest and collections activities for a period of 60 days. In October 2023 Tesco Bank agreed to accept a reduced payment plan. Tesco Bank went on to issue a default notice when payments due under the payment plan were missed and issued a termination letter in November 2023, closing Miss M's account.

More recently, Miss M complained that Tesco Bank lent irresponsibly. Miss M has told us she was later diagnosed with serious mental health difficulties that impact her ability to manage her finances, engage with services and make financial decisions. Miss M complained that Tesco Bank failed to take her vulnerabilities into account when deciding whether to lend.

Tesco Bank issued a final response and said it had carried out the relevant lending checks and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss M's complaint. They thought Tesco Bank had completed proportionate lending checks before approving the credit card application and weren't persuaded it lent irresponsibly to Miss M. The investigator also said there was no evidence Miss M had made her vulnerabilities known to Tesco Bank during her application. The investigator noted Tesco Bank suspended interest and charges from June 2023 and agreed a reduced payment plan in October 2023. The investigator wasn't persuaded Tesco Bank lent irresponsibly to Miss M or treated her unfairly and didn't uphold her complaint.

Miss M asked to appeal and said Tesco Bank had missed key risk indicators and used unrealistic and inaccurate estimates for her outgoings. Miss M also said that whilst she didn't declare her mental health diagnosis to Tesco Bank her account behaviour from March to May 2023 indicated emerging financial distress. Miss M added the rules require Tesco Bank to proactively identify and respond to signs of vulnerability. Miss M also said that even though the credit limit of £250 was low, Tesco Bank still needed to ensure it lent responsibly. As Miss M asked to appeal, her complaint has been passed to me to make 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.

Before agreeing to lend, the rules say Tesco Bank had to complete reasonable and proportionate checks to ensure Miss M could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information Tesco Bank used when considering Miss M's application above. Miss M confirmed her annual income and Tesco Bank calculated a net monthly figure of £1,782. I can see there's some confusion about what rent figure Tesco Bank used. In the application, Miss M said she was living with her parents, not renting as a tenant. The application has a figure of £150 a month for Miss M's housing costs, which in the context of contributing to her parents does seem reasonable. But I can see that Tesco Bank's lending data shows it actually used an estimate obtained from statistical data of £532 a month for Miss M's housing expenses, in addition to a deduction of £545 for her general living expenses. In my view, those were reasonable and realistic figures to use when considering Miss M's affordability assessment and in line with the relevant lending rules.

Miss M's credit file shows she owed around £11,248 in other unsecured debts. The majority was owed via an unsecured loan with £3,320 being held on existing credit cards. Whilst I can see a missed payment in the preceding six months was noted, there were no County Court Judgements, IVAs, payment arrangements, defaults, current arrears or any other adverse information recorded on Miss M's credit file. Miss M has pointed out she was using 91% of her existing credit cards' limits and I accept that's the case. But Miss M's credit card balance wasn't unreasonably high at £3,320. In my view, Miss M's credit file indicated she was in a stable financial position at the time and managing her existing commitments. I haven't seen anything on the credit file information that I think should've caused Tesco Bank to take the view Miss M was already overcommitted or vulnerable.

Tesco Bank ultimately reached the view Miss M had a disposable income that was more than sufficient to cover repayments to a credit card with a limit of £250. In my view, that was a reasonable conclusion for Tesco Bank to reach following proportionate checks.

I've considered whether there was anything in the application information would've identified Miss M's vulnerabilities to Tesco Bank. But I didn't see anything in the application and information obtained by Tesco Bank that would've indicated Miss M was vulnerable at the time so I'm unable to agree it acted unfairly by failing to factor them into its decision to lend.

Miss M's told us that her account behaviour should've shown Tesco Bank she was vulnerable. I can see Miss M's initial payment was made but that the February 2023 payment was reversed to her bank account. Miss M's March 2023 statement shows a payment of £50 was made but that her balance was over the agreed limit. From that point on, no payments were made to the credit card for the following two months and in the June 2023 statement it shows that from May 2023 interest and charges were suspended.

Whilst I agree Miss M shouldn't have needed to self identify her vulnerabilities, I haven't seen evidence that persuades me Tesco Bank treated her unfairly. I can see there was a period of around three to four months of arrears before interest, fees and charges were suspended. But I think it's fair to say Tesco Bank appears to have taken that step without being contacted directly by Miss M. In my view, that shows it was monitoring Miss M's account for signs of vulnerability and took reasonable and appropriate action to limit the financial harm caused by the ongoing arrears.

I also note that when Tesco Bank was contacted by a third party on Miss M's behalf it approved a 60 breathing space hold on collections. And when that ended, Tesco Bank agreed to accept reduced repayments as requested by the third party acting on Miss M's behalf. The account was ultimately closed in November 2023 at default after no payments were made after the beginning of March 2023. I'm satisfied that was a reasonable time for Tesco Bank to terminate the account, even accepting what Miss M's told us about her vulnerabilities.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship 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 Miss M or otherwise treated her 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.

I'm very sorry to disappoint Miss M but as I haven't been persuaded Tesco Bank lent irresponsibly or otherwise treated her unfairly I'm unable to uphold her complaint.

### **My final decision**

My decision is that I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 19 December 2025.

Marco Manente  
Ombudsman