

## **The complaint**

Mr H, through his representative, complains that Barclays Bank UK PLC trading as Tesco Bank lent to him irresponsibly by approving a credit card for him which he says he could not afford to repay.

## **What happened**

On 13 March 2023, Mr H applied to Tesco Bank for a credit card which was approved with a credit limit of £3,850. The limit has remained the same. There was a promotional 0% interest period for new customers. After Mr H had complained, Tesco Bank's final response letter in January 2025 gave reasons why it did not uphold his complaint. After being referred to the Financial Ombudsman Service, one of our investigators (the second investigator to review it) considered Mr H's finances in detail and thought that he'd be able to afford the card, and the initial offer of 0% interest would have been of benefit.

The unresolved complaint was passed to me to decide.

## **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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here. Tesco Bank is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr H was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr H, how much he had to repay (including interest and charges) each month, his borrowing history with it and what Tesco Bank knew about his circumstances.

This means to reach my conclusion I need to consider if Tesco Bank carried out proportionate checks at the time of Mr H's application and 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 approach by Tesco Bank is not just looking at the likelihood of the credit being repaid, but the impact of the repayments on Mr H. There is no set list of checks that it had to do, but it could take into account several different things such as the amount of credit being applied for, the monthly repayments and the overall circumstances of the borrower.

When considering whether creditworthiness assessments were reasonable which is what the FCA require it to be, there are a number of considerations to guide lenders that the checks were proportionate: CONC 5.2A.20R and the paragraphs which follow. It was not expected that there was a full financial review of every aspect of an applicant's circumstances for each application. Proportionality can be seen as doing reasonable checks within the full context of the credit application, what it was for and other details.

Did Tesco Bank do reasonable and proportionate checks? Did it make fair lending decisions?

Tesco has provided us with its records and has said:

*'When we assessed for affordability, we used the national average data from the Office for National Statistics for living expenses and housing costs declared on the application and confirmed at the CRA, along with an amount for the repayments to existing credit commitments. This suggested he'd have monthly disposable income to maintain and sustain the repayments to the card applied for.'*

Tesco Bank has said that it verified Mr H's monthly income after tax as £2,250. Tesco Bank used Credit Reference Agency (CRA) checks to discover he had total other unsecured debt (excluding mortgage debt) of around £5,347 with no adverse data marked on his credit file. Tesco Bank used a repayment figure of £248 a month for this debt. That seems reasonable.

Mr H had given to Tesco Bank his housing costs which it says the CRA check had corroborated. The figure it obtained was £1,411. The figure it used in its creditworthiness assessment was £900. I don't know why it used Mr H's *declared* lower figure of £900 when its own records show me that it had £1,411 as the mortgage cost each month. With two sets of figures - £900 and £1,411 – I think Tesco Bank ought to have checked that. This is one of the reasons I consider that further checks ought to have been done. I come back to this later.

Tesco Bank used ONS data as well as information it had about Mr H to supply it with his monthly living expenses which would have included council tax, bills, broadband and other expenses. The figure it used was £687. That seems reasonable.

Tesco Bank used all this information (£900 + £687+ £248) and calculated that Mr H had sufficient disposable income to cover his committed expenditure, additional expenditure plus the cost of the card. Monthly minimum repayments on a card usually are calculated at around 3% and with a credit limit of £3,850, assuming Mr H were to use it to its full extent immediately, that translated into a figure of around £116. Using 5% as a monthly minimum repayment would have been around £192. Tesco used the £192 figure. These figures would have left Mr H with £223 left each month. But, as I addressed earlier, Tesco Bank used a lower figure than the figure it actually had (£1,411) for Mr H's mortgage. That higher figure or even if it had used the middle range the I&E calculations would have left Mr H with a much narrower margin left over. Potentially it was unaffordable for that credit limit. I consider that additional checks ought to have been done.

Asking Mr H for further information about his financial situation may have involved him supplying copies of utility bills, copy payslips and evidence of other expenditure and credit accounts for which he was liable. A convenient method, one of several available, was to have reviewed copies of Mr H's bank account statements which usually show a wider picture of his finances and how he was managing his money. However, I don't consider it fair or reasonable for a lender's additional checks which may include details obtained from Mr H's bank account statements to include every last element of Mr H's financial affairs. I consider that to be disproportionate.

I've been sent one set of bank account statements by Mr H. These have assisted in confirming that after the initial mortgage payment of £1,411 in January 2023 that became more regular at £1,058 a month. He's confirmed to us it was his sole liability. Still it was more than the £900 declared and the £900 used by Tesco Bank.

On Mr H's income his *average* across three months of December 2022, January and February 2023 was around £2,700. So, the verified monthly income used by Tesco Bank was low. However, the bank statements show that Mr H received a DWP benefit as well as his salary. Sometimes as high as £900 in a month and sometimes less like £500. These details would have made a difference to Tesco Bank's assessment. Although the regular mortgage cost was higher at £1,058 a month, his income was higher too. It would have been reasonable for Tesco Bank to include these DWP payments as income and his average income was higher than the figure it had used.

For completeness, we checked a point surrounding some transfers Mr H made into and from another account. We asked for that account details and we were shown that these were to and from a savings account which had hardly anything in it in February 2023. Also, we asked Mr H about a £25,000 credit which he received and then went out again immediately in December 2022 – these all related to assistance from family members for the mortgage which had just begun.

Mr H had a returned Direct Debit in February 2023. One on its own I don't consider was clear evidence of financial difficulties and sometimes these can happen because of an overspend.

Mr H did use his overdraft but that would not be a reason for a lender to consider that an applicant cannot afford a card. I've seen what the account fee, charges and interest came to each month.

I see that the investigator and Mr H's representative have exchanged correspondence (and I have listened to the recorded call) about a friend's family member and additional income coming into the household which may relate to that other person. I have discounted all that. These were private financial matters which I don't consider the responsible lending regulations would have expected a lender to have gone into. And in any event this money related to an arrangement which Mr H explained to us has ceased now. So, I don't think it would have been appropriate for it to be treated as regular income for the purposes of assessing the card application.

Overall, I consider that Mr H had income to cover his committed outgoings, and the card cost. I do not uphold the complaint.

I've also considered whether Tesco Bank acted unfairly or unreasonably in any other way and I have considered 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 it lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My final decision is I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 December 2025.

Rachael Williams  
**Ombudsman**