

The complaint

Miss L believes Tesco Mobile Limited acted irresponsibly by agreeing a fixed sum loan agreement she'd applied for.

What happened

On 1 July 2020, Miss L purchased a mobile phone through a fixed sum loan agreement with Tesco. The agreement was for 36 months with monthly payments of £40.49. Miss L has complained that Tesco didn't act responsibly when approving the loan as she wasn't working at the time due to the coronavirus (COVID-19) pandemic, and she was unable to find work afterwards. So, the payments weren't affordable, and this eventually ended up with arrears and a default being reported on her credit file. This has meant it's now difficult for her to obtain further credit, especially due to her ongoing health issues.

Tesco considered this complaint, but they said Miss L's agreement had been terminated in 2021, and they deleted all records after an account had been closed for 18-months. So, they were unable to respond to the issues Miss L was raising. As such, Miss L brought her complaint to us for investigation.

Because Tesco weren't able to provide anything, our investigator said that we couldn't confirm if the checks they completed at the time were reasonable and proportionate. However, based on the information Tesco would've seen at the time, the investigator thought that, had reasonable and proportionate checks been carried out, they would've shown the lending was affordable. So, they didn't think Tesco needed to do anything more.

Miss L didn't agree with the investigator. She said that the airtime agreement hadn't been considered, which took her commitment to Tesco to over £100 a month. The investigator explained that we couldn't investigate the airtime agreement, as this wasn't a regulated agreement.

As Miss L didn't agree, this matter has been 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.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Miss L was supplied with a phone under a fixed sum loan agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Tesco complete reasonable and proportionate checks to satisfy itself that Miss L would be able to repay the credit in a sustainable way?
 - a. if so, did Tesco make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Miss L could sustainably repay the borrowing?
2. Did Tesco act unfairly or unreasonably in some other way?

And, if I determine that Tesco didn't act fairly and reasonably when considering Miss L's application, I'll also consider what I think is a fair way to put things right.

Did Tesco complete reasonable and proportionate checks to satisfy itself that Miss L would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Tesco have explained that they are unable to provide any evidence of the checks they carried out due to the age of the agreement and their data retention policy. As such, I can't be satisfied that these checks were reasonable and proportionate. Therefore, I've gone on to consider what Tesco would likely have found had reasonable and proportionate checks been carried out.

Would reasonable and proportionate checks have shown that Miss L would be able to repay the credit in a sustainable way?

Miss L has provided an up-to-date copy of her credit report. As this also shows historic data, I'm satisfied this will give a good indication of what Tesco would've seen on the credit file they obtained when they considered her finance application.

This report shows that, In June 2020, Miss L had four current accounts with different providers, each of which was conducted satisfactorily with no overdraft or overdrawn amounts. She also had a credit card with no outstanding balance, and a personal loan with a £20 a month payment that ran until October 2020. The credit report also shows that the airtime agreement with Tesco was £12 a month.

There's nothing on this report that shows me Tesco should've declined Miss L's application, nor that they should've been unduly concerned about her current financial position. Based on the amount and term of the agreement, and Miss L's financial position as evidenced by the credit file, I wouldn't expect Tesco to complete any further checks.

However, Miss L has provided copies of some bank statements and, for completeness, I've considered these. The bank statements are for the period July to December 2020 and only relate to one of the four current accounts the credit report shows Miss L held at the time. As such, the supplied bank statements don't give any indication of Miss L's full financial position at the time she applied for finance with Tesco, only a part-picture of her financial position for the period immediately after. So, it's for this reason that I haven't considered what these bank statements show.

As part of my decision making process I asked Miss L to provide bank statements for all four of the current accounts she had at the time of her application, and for the period 1 April to 30 June 2020. While, for the reasons already given, I wouldn't expect Tesco to have conducted any further checks, the requested bank statements would give a good indication of what Tesco would likely have taken into consideration *if* they had asked Miss L to prove her income and committed expenditure.

Miss L hasn't provided copies of these bank statements. She said that the current accounts opened in June 2018, August 2019, and February 2020 weren't being used in 2020, and the current account that was opened in December 2018 was closed in September 2025, so she no longer has access to any of the information for it.

Without any evidence of Miss L's full financial situation at the time, I'm unable to say that, even if Tesco had decided to do further checks (which, for clarity, I'm satisfied they didn't need to) that they would've found that Miss L couldn't reasonably afford the agreement.

Finally, Miss L has argued that, due to the COVID-19 national lockdowns, she had no employment income. However, the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme saw the UK Government typically paying 80% of a person's wages/profits when they were unable to work due to the lockdowns. What's more, I would expect financial businesses to consider an applicant's full income, i.e. including any income from benefits, when making an assessment, and not to limit any calculations to include income from certain sources only. To do so could be considered discriminatory.

As such, and while I appreciate this will come as a disappointment to Miss L, I'm satisfied that, had Tesco carried out reasonable and proportionate checks, then there's no valid reason why they wouldn't have found the finance to be sustainably affordable. And it's for this reason why I won't be asking them to refund all or part of the payments Miss L paid, or of any interest and fees she may have been charged.

Did Tesco act unfairly or unreasonably in some other way?

I haven't seen anything to make me think Tesco acted unfairly or unreasonably in some other way.

My final decision

For the reasons explained above I don't uphold Miss L's complaint about Tesco Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 9 February 2026.

Andrew Burford
Ombudsman