

The complaint

Mr S complains that Tesco Personal Finance Limited trading as Tesco Bank irresponsibly provided him with unaffordable lending, and its handling of redress.

What happened

Mr S held two credit card accounts with Tesco Bank. One was provided in 2017 and had credit limit increases in 2017 and 2018; the other was provided in 2018 and had credit limit increases in 2019 and 2020. Both parties agree the accounts were sold to a third party debt purchaser in 2021.

In November 2023 Mr S complained to Tesco Bank about irresponsible lending. He said had Tesco Bank completed proportionate checks before providing him with the two credit cards and credit limit increases, it would have identified the lending wasn't affordable for him.

Tesco Bank said Mr S' complaint about its lending decisions in 2017 had been made outside of the regulatory timescales for complaining, and that it therefore wouldn't consider these events. In relation to the lending events from 2018 onwards it said it had completed proportionate checks and made fair lending decisions in each event.

Unhappy with Tesco Bank's response Mr S referred his complaint to our service.

One of our investigators reviewed the complaint and upheld it in part. He set out why he didn't think our service could consider the lending events in 2017 as these had been made outside of the regulatory timescales for complaining. He went on to review the lending events that he could consider from 2018; and concluded Tesco Bank hadn't made fair lending decisions from the earliest lending event in 2018 onwards.

Both parties accepted our investigator's view. As part of the redress process Tesco Bank contacted the debt purchaser and became aware the debts had been written off. It therefore changed its position and said Mr S wasn't due a refund of interest and charges, which had been set out within our investigator's view.

Unhappy with Tesco Bank's actions Mr S got back in touch with our service. Our investigator set out our approach to this type of situation, and that Tesco Bank's actions appeared to be reasonable in the details of the case.

Mr S asked for an ombudsman's review, so the complaint 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.

The information in this case is well known to Mr S and Tesco Bank, so I don't intend to repeat it in detail here. Instead, I've focused my decision on what I consider to be the key points of this complaint; so, while I may not cover all the points or touch on all the

information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr S or Tesco Bank by taking this approach, but this simply reflects the informal nature of our service.

Both parties are in agreement with the lending events our service can consider; and that in part Tesco Bank made unfair lending decisions. There's no longer an active dispute about this. However, for completeness I've considered the details and I agree with our investigator's reasoning and outcome about Tesco Bank's lending decisions.

What is disputed is how this complaint should be resolved.

I think it would be helpful for me to set out that our service's general approach to irresponsible and/or unaffordable lending complaints is to look to put a consumer back in the position they would have been in, had lending not been unfairly provided.

This isn't always possible, because a business can't undo the lending that a consumer has received and had the use of. So, we'd generally say it's reasonable for a consumer to repay the capital they were lent, but that a business can't apply interest or charges to balances that have come about from limits we've found to have been unfairly provided.

In cases where debts have been sold to a third party, we'd expect lenders to either buy back those debts to implement the redress; or liaise with the third parties to ensure the redress direction is followed. Our investigator set this out within their view under the '*How to put things right*' section.

Following contact with the debt purchaser, Tesco Bank became aware the outstanding debts had been written off. This write off appears to have happened in 2023; which followed Mr S entering an IVA in 2021 which he says was terminated in 2022. He's said the debt purchaser resumed contact with him following the termination of the IVA and ultimately agreed to write off the debt. Mr S has confirmed he's not actively being pursued for the debts by the third party debt purchaser.

I don't generally consider it unreasonable for a business to look to offset redress against an outstanding balance it has decided to no longer pursue, or has written off. I say this because while a business has made this commercial decision, it has suffered a loss as a result of it.

In the individual circumstances of Mr S' complaint, while it's agreed that Tesco Bank made unfair lending decisions, there was still a sizeable outstanding capital balance which remained contractually payable by Mr S. Given Tesco Bank sold the debt, our general redress approach would be for it to have either brought back the debt from the third party and applied the redress refund to reduce the outstanding balance; or to have ensured through cooperation with the third party that this same outcome was achieved.

I acknowledge Mr S' position that as he no longer has an outstanding debt with either party that he should receive the refund of interest and charges, with 8% simple interest. However, I'm not persuaded that this would be fair and reasonable in the individual circumstances.

I say this because Tesco Bank will have incurred a financial loss in this process when it sold the debt to the third party debt purchaser, which would have been a considerable loss given within industry debts are sold for pence on the pound. When taking into account the redress of around £1,100 that would have been applied to the outstanding debt, it's clear that a sizeable debt of around £15,000 would still have been outstanding. And this debt is what I consider Tesco Bank would reasonably have been entitled to collect.

I'm also mindful of our service's approach to redress, as I've already set out. If Mr S were to receive the redress he considers he is owed he would be in a position of betterment. I say this because Mr S is no longer being pursued for the debt he owed; a large proportion of which relates to the capital he was lent which he had the use of. So, to direct Tesco Bank to refund him the interest and charges value of around £1,100 would put it at further loss, and would put Mr S into a position of betterment.

The overarching principle of our service is to reach fair and reasonable outcomes for both parties to a complaint. Having taken into account the individual circumstances of this case, while it's agreed Tesco Bank made unfair lending decisions, I'm not persuaded it would be fair or reasonable for it to refund Mr S the interest and charges that have been found to have been applied to balances following unfair lending decisions. Instead, I consider it reasonable for Tesco Bank to essentially offset this figure against the losses it had incurred in the individual circumstances of this complaint.

I do consider it would be reasonable for Tesco Bank to remove any adverse information reported to CRAs about these accounts, given that this is our general approach when we've found there to have been unfair lending decisions.

Our investigator contacted Mr S to obtain an updated position on this. Mr S has said he remembers Tesco bank making amendments to his credit file, and presently it isn't reporting any adverse information about these accounts. This feels like a reasonable position to me, given I wouldn't expect it to report adverse information about these accounts to CRAs.

I note that Mr S has said had he not challenged the redress with Tesco Bank that he would likely have received a payment without issue. Mr S has also made reference to other complaints about other companies where he says he's received redress in similar circumstances.

While I acknowledge Mr S' comments, for the reasons I've set out above I don't consider Tesco Bank's updated position to be unreasonable. While other companies may have taken different action on other complaints Mr S has raised, my review here considers the individual details of this complaint and what I consider to be a fair and reasonable resolution.

Finally, I've thought about whether considering this complaint more broadly as a complaint about an unfair relationship would mean I could consider it. Having done so, I don't think it would mean that.

In the context of this complaint, the law relating to unfair relationships is described in Section 140 of the Consumer Credit Act 1974 (Section 140). It says a court may make an order under Section 140 if it determines a relationship between the creditor and the debtor is unfair. The consumer is the debtor and Section 140 defines the creditor as "the person to whom his rights and duties under the agreement have passed by assignment or operation of law."

So, where a debt has been sold, it follows that the debt purchaser is now the creditor for the purpose of the credit agreement. Therefore, a claim about an unfair relationship can't be brought by the consumer against the original lender as they are no longer the creditor.

It therefore follows, for the reasons I've set out above, that while I've found Tesco Bank to have made unfair lending decisions it doesn't need to take any further action.

My final decision

My final decision is that I don't direct Tesco Personal Finance Limited trading as Tesco Bank

to take any further action in resolution of Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 December 2025.

Richard Turner
Ombudsman