

The complaint

Miss F complains that Barclays Bank UK PLC trading as Tesco Bank irresponsibly lent to her.

What happened

Miss F was approved for a Tesco credit card in March 2022, with a £4,900 credit limit. The credit limit was increased to £6,500 in October 2022. Miss F says that Tesco irresponsibly lent to her. Miss F made a complaint to Tesco, who did not uphold her complaint. Tesco said they were satisfied they acted fairly with regards to irresponsible lending. Miss F brought her complaint to our service.

Our investigator did not uphold Miss F's complaint. He said that Tesco's checks were proportionate, and they made fair lending decisions. Miss F asked for an ombudsman to review her complaint. She made a number of points. In summary, she said that the affordability assessments did not reflect her real circumstances at the time, and modelling was not representative as her expenditure was higher, she was borrowing from family and friends, Tesco used theoretical surpluses calculated from averages.

Miss F said there were lifestyle changes from living with parents to living with a partner, with a mortgage, so standard modelling was likely to be inaccurate. Miss F said that she was only able to make substantial repayments to the account as she borrowed from family/friends. She said she had a heavy reliance on the Tesco credit card after a personal loan she took out, and she was only making minimum or near minimum repayments. Miss F mentioned the Consumer Duty, and she said Tesco caused her foreseeable harm.

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.

Firstly, I'm aware that I've only summarised Miss F's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I like to thank Miss F for giving us detailed information about her financial and personal situation. I won't go into great detail here about what she's told us to help protect her identity, but I can assure Miss F I have read everything she's sent us.

Miss F has mentioned Consumer Duty, but I'm unable to review the lending decisions under this context as these lending decisions were made prior to the Consumer Duty being introduced. But I will be reviewing them under the relevant regulations which were in place at the time.

I want to be clear to Miss F that this decision solely focuses on her irresponsible lending

complaint to Tesco about her credit card she opened with them. I'm aware that Miss F has a complaint about a personal loan she also took out through Tesco, however, the outcome of that complaint will be communicated to her separately (if it hasn't already been communicated to her).

Before agreeing to approve or increase the credit available to Miss F, Tesco needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Tesco have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Tesco credit card

Miss F declared a gross annual income of £33,080 which Tesco calculated to be around £2,000 net a month. There were no defaulted accounts, County Court Judgements or accounts in arrears at the time of the opening checks, and Miss F had no accounts in arrears for the previous six months being reported by the Credit Reference Agency (CRA) that Tesco used.

The CRA reported that Miss F had unsecured debt totalling £9. So at the point of the checks, Miss F had around 0.03% of unsecured debt compared to her gross annual income she declared.

Tesco used a mixture of information from the CRA and modelling to estimate Miss F's outgoings, and they calculated that she had enough disposable income to be able to sustainably afford repayments for a £4,900 credit limit.

I've considered what Miss F has said about Tesco not requesting information from her to validate her income and outgoings, and the reliance of modelling. But they are not required to do this for each lending decision as this would not be proportionate. But while Miss F told Tesco that she was living with parents, they still used modelling to estimate £512 a month housing expenses which would typically be higher than someone living with parents. So although Miss F said her expenditure was higher, she only declared £50 a month for housing costs.

Tesco would be able to include a reasonable monthly repayment for her existing debt into the affordability calculation, and they also used modelling for her living costs. So I'm not persuaded that with no adverse information from Miss F's credit file being reported to Tesco, and the disposable income showing after the affordability assessment that it would have been proportionate to have made any further checks here. There would be no reason for Tesco to believe that the modelling data was unlikely to be reasonably representative of Miss F's situation.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision here.

October 2022 credit limit increase - £4,900 to £6,500

The CRA that Tesco used reported that Miss F's unsecured debt was £28,309 at the time of the checks, which was significantly higher than at the account opening stage. But Miss F did open a £25,000 personal loan with Tesco in April 2022, which would be the majority of her active unsecured debt.

The CRA reported no adverse credit file information since the Tesco credit card had been opened. Tesco would have also been able to see how Miss F used her Tesco account prior to the credit limit increase. Miss F did not incur any overlimit or late payment fees between the account being opened and the credit limit increase.

And she didn't always just pay the minimum repayment, as there were a couple of times she made a four figure payment to the account. The last one of these was in July 2022, when she made a card payment of £4,200. She was not close to her credit limit at the time of the credit limit increase, so I can't fairly say she was relying on the credit. The majority of the transactions were for non-essential spending, as opposed to day to day living.

I've considered what Miss F has said about borrowing from friends and family to make repayments. But there would be no way that Tesco would have been aware of this. Miss F has said she did not tell Tesco about her changing personal circumstances at the time, and if Miss F was financially struggling at the time, it wouldn't be proportionate to expect someone who was financially struggling to make such a large overpayment.

It would also appear that this wasn't from another credit card's balance transfer as the CRA reported revolving balances (such as credit/store cards/overdrafts etc) of £1,925 at the time of the checks for this lending decision. So she didn't appear to be in persistent debt.

Miss F had declared a higher net monthly income than at the application stage, which a CRA had been able to verify, so it wouldn't have been proportionate for Tesco to ask for further information such as a payslip here.

Tesco completed another affordability assessment to see if the repayments for the increased credit limit would be affordable and sustainable for Miss F. They did take into account her current situation, as they could see her mortgage repayment being reported by the CRA, and they used half of this amount since it was a joint mortgage. The living expenses were higher than they modelled seven months earlier than when they opened the account. The affordability assessment showed that Miss F should be able to make affordable and sustainable repayments for an increased credit limit to £6,500.

The Office for National Statistics (ONS) has many data sets depending on someone's situation, so I'm not persuaded that Tesco used the same data set for Miss F (and I can see the figures are different at each lending decision stage). So as Miss F didn't inform Tesco of her change in circumstances, there would be no reason for Tesco to believe that the modelling data was unlikely to be reasonably representative of Miss F's situation. And it wouldn't be foreseeable at this stage Miss F's future financial difficulties.

So I'm not persuaded that with no adverse information from Miss F's credit file being reported to Tesco, and the disposable income showing after the affordability assessment that it would have been proportionate to have made any further checks here, such as verifying Miss F's living costs.

So I'm persuaded that Tesco's checks were proportionate, and they made a fair lending decision to increase the credit limit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Tesco lent irresponsibly to Miss F or otherwise treated her 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

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 12 March 2026.

Gregory Sloanes
Ombudsman