

The complaint

Miss M complains Barclays Bank UK PLC trading as Tesco Bank (Tesco) acted irresponsibly when it approved a credit card account for her.

What happened

Miss M says Tesco approved a credit card account for her in July 2022 with a credit limit of £5,500, even though at that time she had external debt elsewhere and was employed part time on a low income. Miss M says Tesco shouldn't have approved the credit card with this level of credit and it has become unaffordable for her and it's caused stress, anxiety and sleepless nights worrying about her financial situation.

Miss M wants Tesco to cancel the credit card account and wipe the account clean.

Tesco says before approving the credit card account for Miss M, it carried out affordability checks using data provided by Miss M, and industry standard data from external sources and credit reference agencies. Tesco's says these checks showed Miss M had low debt to income and after allowing for all living, housing and credit costs including the new credit card, she was left with a net disposable income (NDI) of around £137 per month.

Tesco says from its financial checks no arrears, defaults or CCJ's were evident and there were no concerns regarding affordability, so it didn't warrant any further financial checks here as the checks it had already undertaken were proportionate. Tesco says it could only base its decision on the information it held at that time.

Miss M wasn't happy with Tesco's response and referred the matter to this service.

The investigator looked at all the available information and upheld Miss M's complaint. The investigator pointed out there are no set list of checks lenders like Tesco must carry out, but these should be borrower focussed.

The investigator says while Tesco completed financial affordability checks using data from Miss M's application and externally recognised sources, she didn't feel these checks went far enough. The investigator pointed out that the limit approved by Tesco was high in relation to Miss M's income and the potential monthly payments would account for around 30% of her net monthly income. The investigator also pointed out that Miss M had a missed payment recorded in the six months leading up to the credit being approved.

The investigator calculated a lower figure of net disposable income available to Miss M but says even accepting Tesco's calculations, the sum of £137 per month wasn't enough to cover unforeseen expenses going forward. The investigator pointed out that she couldn't look at Miss M's request for Tesco to pause future interest payments as that didn't form part of her original complaint, and she would need her to raise this with Tesco as a separate issue.

The investigator asked Tesco to rework Miss M's credit card account removing any interest fees and charges that have not already been refunded and set up a payment plan with her

and then remove any adverse entries relating to this from her credit file, once the borrowing has been fully repaid.

Tesco didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, like the investigator I will be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear Miss M has experienced stress and worry over this matter and this must be a difficult time for her. When looking at this complaint I will consider if Tesco acted irresponsibly when it approved the £5,500 credit card limit for Miss M in July 2022.

Tesco have provided this service with comprehensive details of the course of events here and while that has proved helpful, I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything that's been said – I have. But it's just that I don't need to comment on each individual point here in order to reach a decision on what's fair and reasonable.

Tesco do not accept what the investigator has said here and feel its financial affordability checks were proportionate and in line with industry standard practices. Tesco make the point those checks showed there was no adverse information regarding Miss M's past credit history and her external indebtedness was modest. Tesco also says its financial affordability modelling showed Miss M would have around £137 of net disposable income and felt this showed the borrowing was affordable and sustainable.

While I understand the points Tesco make here I'm not fully persuaded by its argument and I will go on to explain why.

From the information I have seen while Tesco did carry out affordability assessments and credit history checks, in this particular case I think more could have been done. I say this for a number of reasons – Tesco's affordability assessment concluded Miss M would have an NDI of circa £137 per month to meet her day to day living expenses after household, living and debt repayment costs had been covered. Like the investigator I'm not convinced that is a sustainable amount, as any one off unexpected household cost would utilise all of that potentially - if not more.

It's also important to say that from Tesco's own financial checks it showed Miss M had a missed payment recorded in the six months period leading up to this credit card limit being approved. While that on its own might not seem significant, bearing in mind that part of Tesco's approval was based on the low level of external debt, this should have been a source of concern if Miss M was showing signs that she might not be able to comfortably cover the payments on what was after all a much lower level of debt.

So here, I take the view given this information Tesco should have at the very least got a clearer understanding of Miss M's true income and expenditure, rather than simply relying on external sources – after all this wasn't a modest amount of credit, especially for someone working part time with a fairly low level of income.

I've also considered whether Tesco acted unfairly or unreasonably in some other way given what Miss M has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, because I am upholding this complaint for the reasons I have already explained, I don't think I need to make a finding on this. I believe the redress I have suggested results in fair compensation for Miss M in the circumstances of her complaint.

While Tesco will be disappointed with my decision, I don't feel it carried out appropriate financial affordability checks knowing what it did here, for the reasons I have already explained.

Putting things right

I instruct Barclays Bank UK PLC trading as Tesco Bank to rework the account removing all interest fees and charges that have been applied.

If the rework results in a credit balance, this should be refunded to Miss M along with 8% simple interest per year*. Barclays Bank UK PLC trading as Tesco Bank should also remove all adverse information regarding this account from Miss M's credit file.

Or, if after the rework there is still an outstanding balance, Barclays Bank UK PLC trading as Tesco Bank should arrange an affordable payment plan with Miss M for the remaining amount taking back the debt if sold to a third party.

Once Miss M has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires Barclays Bank UK PLC trading as Tesco Bank to deduct tax from any award of interest. It must give Miss M a certificate showing how much tax has been taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 11 February 2026.

Barry White
Ombudsman