

The complaint

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

What happened

Miss M applied for and was given two credit cards by Tesco. The opening credit limits and subsequent credit limit increases / decreases (CLI / CLD) were as follows:

	Date	Event	Limit
Card 1	5 August 2014	Opening limit	£1,700
	7 July 2015	CLI1	£2,500
	11 August 2015	CLI2	£3,700
	22 July 2016	CLI3	£4,700
	5 October 2017	CLD1	£1,000
	18 April 2019	CLD2	£500
	6 December 2019	CLD3	£400
Card 2	2 May 2019	Opening limit	£6,400

On 15 October 2024, Miss M complained to Tesco. She said it shouldn't have allowed her to open accounts with such high credit limits and shouldn't have increased her limits further having done so. She said if Tesco had checked her credit record before increasing her limit it would have seen she had taken a lot of other credit since opening Card 1. This should have warned Tesco that she was struggling and it was not responsible to offer more.

Tesco looked into Miss M's complaint and issued a final response. It said it felt her complaint about card one had been brought too late under the complaint handling rules of the Financial Conduct Authority (FCA) as more than six years had passed since the account was opened and the CLI's. It acknowledged the complaint about Card 2 had been brought in time and went on to consider that element of the complaint. Having done so it felt it had lent responsibly and didn't uphold the complaint.

Miss M didn't accept what Tesco said and referred her complaint to our service. One of our investigators looked into it. She felt Miss M's complaint could reasonably be interpreted as being about an unfair relationship as described in Section 140A of the Consumer Credit Act 1974 (s.140) which meant we could look into the whole of it. But when she considered the complaint, she felt Tesco hadn't treated Miss M unfairly when it agreed to both cards and the credit limit increases. She didn't uphold the complaint.

Miss M didn't accept what our investigator said so, as there was no agreement, the complaint was passed to me for a 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.

There are time limits for referring a complaint to the Financial Ombudsman Service, and Tesco thinks part of this complaint was referred to us too late. Our investigator explained why she didn't, as a starting point, think we could look at a complaint about the lending decisions that happened more than six years before the complaint was made. But she also explained why it was reasonable to interpret the complaint as being about an unfair relationship as described in s.140, and why this complaint about an allegedly unfair lending relationship had been referred to us in time.

For the avoidance of doubt, I agree with our investigator that I have the power to look at the complaint on this basis. I think this complaint can reasonably be considered as being about an unfair relationship as Miss M says the increases simply made her situation worse. These may have made the relationship unfair as she had to pay more in interest than she could afford. I acknowledge Tesco still doesn't agree we can look at this complaint, but as I don't think it should be upheld, I don't intend to comment on this further.

In deciding what is fair and reasonable I am required to take relevant law into account. Because Miss M's complaint can be reasonably interpreted as being about the fairness of her relationship with Tesco, relevant law in this case includes s.140A, s.140B and s.140C of the Consumer Credit Act 1974.

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (Tesco) and the debtor (Miss M), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship.

S.140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given what Miss M has complained about, I need to consider whether Tesco's decision to lend to her and increase her credit limits, or its later actions, created unfairness in the relationship between her and Tesco such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness. Miss M's relationship with Tesco is therefore likely to be unfair if it didn't carry out proportionate affordability checks and doing so would have revealed its lending to be irresponsible or unaffordable, and if it didn't then remove the unfairness this created somehow.

I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Tesco carry out reasonable and proportionate checks to satisfy itself that Miss M was in a position to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?

- Did Tesco make a fair lending decision?
- Did Tesco act unfairly or unreasonably towards Miss M in some other way?

Tesco had to carry out reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit sustainably. It's not about Tesco assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on her.

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 and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Card 1 – account opening

The information Tesco holds about the lending decisions on Card 1 is limited due to the time that's passed. I don't find this surprising given the last credit limit increase took place over eight years before Miss M raised her complaint. Businesses aren't obliged to retain information indefinitely and generally only for six years.

But Tesco has been able to provide some of the information declared by Miss M at the time of the application, as well as some of the information it gathered itself. This shows she declared an annual income of £16,000 per year and that she lived with her parents. Tesco calculated her monthly income to be £1,200. It reviewed her credit file which showed no defaults or County Court Judgements (CCJs). It noted she had a loan elsewhere which had monthly payments of £207 and was up to date. Overall, it estimated Miss M's total outgoings including payments to her loan and this credit card as being around £900 which meant she had a monthly disposable income of around £300.

Based on what Miss M had told Tesco and it found itself, I think it carried out reasonable and proportionate checks on her application. I think it treated Miss M fairly when it opened the account and agreed a credit limit of £1,700.

Limit increases

Tesco has been able to provide credit file information for each of the limit increases. There are no defaults or CCJs and she was up to date with other credit she had. That credit consisted of both revolving (credit /store card) and non-revolving (car finance / loans) amounting to £14,000 or so.

But Tesco hasn't been able to provide any details of the figures it used for her income or expenditure at the time of the increases. So I can't fairly conclude that the checks carried out were reasonable and proportionate, because I don't have the evidence to show they were.

In an effort to establish what Tesco may have found about Miss M's income and expenditure at the time, we've looked at her bank statements for a few months prior to each increase. This isn't to say that Tesco ought to have reviewed her statements – there is no obligation on it to do so – but they allow me to see what it would likely have found if it had asked her about her income and expenditure.

I won't go into as much detail here as our investigator did but I have looked closely at the statements. It's evident that Miss M's income had increased to around £1,600. Her income comfortably covered her committed expenditure and allowed sufficient disposable income to afford the increased credit limits offered.

Miss M has said she had a gambling habit at the time of the increases, and I can see from her bank statements there are numerous gambling transactions. But as I've said already,

there is no obligation on Tesco to have checked her bank statements before agreeing to lend to her.

But I have looked closely at Miss M's usage of the credit card. Between account opening and CLI1 there was no sign of gambling transactions. CLI2 was agreed the following month (August 2015) and there had been a considerable amount of gambling over that month, and some further transactions – albeit lessening in volume – were seen in September and October 2015. From November 2015 onwards (prior to CLI3 in July 2016) there was no further sign of gambling transactions, and the account balance was considerably less than the limit allowed. By the time of CLI3 her account balance was down to £2,300 or so against the limit of £3,700.

So while there was a short spell where Miss M used her credit card for gambling transactions, from Tesco's point of view, it would appear that if she had a problem with gambling, she had got it under control quickly. I wouldn't have expected Tesco to have been concerned about the transactions in July 2016, when the last one had been seen in October the previous year. As I've said, I've seen nothing which makes me think Tesco ought to have requested sight of her bank statements at the time.

Overall, taking into account all the information available to me from each party to the complaint, I don't think Tesco treated Miss M unfairly when it agreed the increases.

Card 2

As this account was applied for within six years of Miss M raising her complaint, Tesco has been able to provide more information about the application and the checks it carried out.

Miss M declared an annual income of £48,000 and Tesco calculated her monthly income as being £2,980. Her credit file showed she had credit elsewhere consisting of £21,200 on a loan with repayments of £504, and £3,200 on credit / store cards. Payments to these facilities were up to date and she had no defaults or CCJs. She had also recently requested her credit limit on Card 1 be reduced to £500. She has confirmed she was living with her parents at the time, and her expenses were her existing credit, car insurance and the like.

But I can't see that Tesco took any steps to verify Miss M's income. Considering the amount of credit it offered and its existing relationship with her, I think it ought to have done so. That said, I can see from Miss M's bank statements that her income was around £2,330 on average. So while that is less than Miss M had declared on her application, I'm satisfied Tesco would have been content with the information it received and would have considered the facility to be affordable for her.

It follows that I think it reached a fair decision to lend to Miss M on Card 2 and it hasn't increased the limit since.

Did Tesco act unfairly or unreasonably towards Miss M in some other way?

I've carefully considered all the information and arguments provided by each party to this complaint, and I've seen nothing which makes me think Tesco treated Miss M unfairly.

My final decision

My final decision is that I don't 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 3 March 2026.

Richard Hale
Ombudsman