

Complaint

Miss D has complained about a personal loan which Barclays Bank UK PLC (then trading as “Tesco Bank”) provided to her. She’s said that the loan was unaffordable and caused her ongoing financial stress.

Background

In April 2018, Tesco Bank provided Miss D with a loan for £18,000.00. The loan had an APR of 9.6% and a term of 84 months and Miss D was required to make 84 monthly payments of just under £300.

In March 2025, Miss D complained saying said that this loan was unaffordable and this created ongoing financial stress. Tesco Bank didn’t uphold Miss D’s complaint. When Miss D’s complaint was referred to our service, Tesco Bank told us that we couldn’t consider the complaint as it was made too late.

One of our investigators reviewed what Miss D and Tesco Bank had told us. He reached the conclusion that we could look at Miss D’s complaint. However, he wasn’t persuaded that proportionate checks would have shown that the loan was unaffordable for Miss D. So the investigator didn’t recommend that Miss D’s complaint be upheld. Miss D disagreed with the investigator and asked for an ombudsman’s decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Tesco Bank has argued that Miss D’s complaint was made too late because she complained more than six years after it provided her with her loan, as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret the complaint as being one alleging that the lending relationship between Miss D and Tesco Bank was unfair to Miss D as described in s140A of the Consumer Credit Act 1974 (“CCA”). She also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I’ve decided not to uphold Miss D’s complaint. Given the reasons for this, I’m satisfied that whether Miss D’s complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

I’m also in agreement with the investigator that Miss D’s complaint should be considered more broadly than just the individual lending decision. I consider this to be the case as Miss D has not only complained about the circumstances behind Tesco Bank’s individual

decision to provide her with a loan, but also the fact she alleges that the provision of this loan created ongoing financial stress.

I'm therefore satisfied that Miss D's complaint can therefore reasonably be interpreted as a complaint that the lending relationship between herself and Tesco Bank was unfair to her. I acknowledge the possibility that Tesco Bank may still disagree that we are able to look at Miss D's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters. This includes Miss D's submissions that on why she believes she complained in time.

In deciding what is fair and reasonable in all the circumstances of Miss D's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss D's complaint can be reasonably interpreted as being about that her lending relationship with Tesco Bank was unfair to her, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Tesco Bank) and the debtor (Miss D), 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. S140B 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 Miss D's complaint, I therefore need to think about whether Tesco Bank's respective decisions to lend to Miss D, or its later actions resulted in the lending relationship between Miss D and Tesco Bank being unfair to Miss D, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss D's relationship with Tesco Bank is therefore likely to be unfair if it didn't carry out reasonable and proportionate checks into Miss D's ability to repay this loan in circumstances where doing so would have revealed the monthly payments to have been unaffordable, or that it was irresponsible to lend. And if this was the case, Tesco Bank didn't then somehow remove the unfairness this created. I've considered Miss D's complaint in this context.

Our typical approach to complaints about irresponsible or unaffordable lending

We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Miss D's complaint.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of

how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Miss D's complaint.

Application to Miss D's complaint – Why I don't think that Tesco Bank's decision to lend to Miss D was unfair or unreasonable

Tesco Bank says it agreed to Miss D's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on credit searches which it carried out. In its view, all of this information showed Miss D could afford to make the repayments she was committing to. On the other hand, Miss D has said that this loan was unaffordable and created ongoing financial stress.

From what I've been able to see Miss D told Tesco Bank that she was employed full time and had been with the same employer for almost 14 years as part of her application. I understand that Miss D's monthly income was validated as being just under £1,500.00. Having reviewed the information from the credit check Tesco Bank carried out, I can't see that Miss D had any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") recorded against her.

I accept that Miss D may have had some existing debts. However, while I accept that Miss D says that she shouldn't have been lent to because of this, the information from the time shows that Miss D's selected loan purpose was debt consolidation. Indeed, the amount of this loan almost exactly the amount of Miss D's existing credit card debt.

It's also worth noting that this loan was being provided at a much lower interest rate than the interest rate on Miss D's credit cards. So I'm satisfied that it's more likely than not that Miss D at least made it seem as though it was her intention to use proceeds of this loan to clear almost all of the existing unsecured debt that Miss D had and which she is now arguing meant that she shouldn't have been provided with this loan.

I accept that Miss D may not have consolidated all of her existing credit card debt, or if she did she may have ended up reusing her credit cards and reestablishing balances. However, Tesco Bank won't have known this would happen. Equally, as this was a first loan Tesco Bank was providing to Miss D, there wasn't a history of Miss D obtaining funds and then

failing to consolidate debts elsewhere in the way she committed to either. So Tesco Bank was reasonably entitled to believe that Miss D would be left in a better position after being provided with this loan.

There is an argument to say that, at the absolute most, Tesco Bank ought to have found out more about Miss D's actual regular living expenses, rather than relying on statistical data, bearing in mind the term of this loan. However, I've not been provided with anything that clearly shows that Miss D's committed expenditure, had she consolidated her credit card debts like she said she would, rendered the monthly payments to this loan unaffordable.

As this is the case, I don't think that Tesco Bank did anything wrong when providing this loan to Miss D - it arguably carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. But even if Tesco Bank had asked Miss D for more information about her regular living costs and contractually committed expenditure here, I've not been persuaded that it doing so would have made a difference.

In my view, Tesco Bank doing more here would simply reinforced the notion that if Miss D did go on to repay her existing debts with the proceeds from this loan as her recorded loan purpose said she would, she would have been in a significantly better financial position. And there was a reasonable basis for Tesco Bank lending to Miss D on this basis.

Overall, and based on the available evidence I don't find that Miss D's relationship with Tesco Bank was unfair. I've not been persuaded that Tesco Bank created unfairness in its relationship with Miss D by irresponsibly lending to her when providing her with her loan. I don't find that Tesco Bank treated Miss D unfairly in any other way either.

So while I can understand Miss D's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Miss D. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 23 February 2026.

Jeshen Narayanan
Ombudsman