

## **The complaint**

Miss S complains that Barclays Bank UK PLC trading as Tesco Bank (Tesco Bank) acted irresponsibly when they agreed to lend to her.

## **What happened**

Miss S was given two loans from Tesco Bank. The first was in April 2023, for £8,500 with an APR of 8.9%, this required monthly repayments of around £178 over 60 months, for the purposes of consolidation. She applied for a 'top up' loan with Tesco Bank in June 2024 for £9,960 with an APR of 15.6% for the purposes of consolidating existing credit with monthly repayments of around £354 over 36 months.

Miss S thought that Tesco Bank lent to her irresponsibly and the loans were unaffordable. She does not believe adequate affordability assessments took place or that Tesco Bank should have relied on estimates. She says she was on reduced income when the first loan was given and had increased lending by the time of the second loan which she thinks indicated financial instability. Her situation worsened when she later had to take time off from work during 2025.

Tesco Bank say they considered Miss S's overall creditworthiness and based on this they felt that they'd made a fair lending decision.

Miss S wasn't happy with Tesco Bank's response and referred her complaint to us. Our investigator said that the checks carried prior to the first loan were reasonable and proportionate in the circumstances and they thought that Tesco Bank made a fair decision to lend based on the information in these checks. For the second loan, our investigator found that Tesco Bank should have made further checks, and there wasn't sufficient information to find the lending was unaffordable.

Tesco Bank didn't dispute this position, but Miss S did and provided relevant bank statements and payslips to evidence her financial situation at the time of the lending. After considering this, our investigator found that the second loan would have more likely than not have been found to be affordable had reasonable and proportionate checks been done.

Miss S didn't agree and asked for an ombudsman to decide on the matter. So, the case 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.

While Miss S has provided detailed evidence of her complaint, and whilst I've considered all the available information, I've not reflected every point that has been raised. No discourtesy is intended here, this is merely to reflect my informal role in deciding a fair and reasonable outcome. So, I've focused on what I think are the key issues of the complaint. If there is something I haven't mentioned, it isn't because I've ignored it.

I've considered what both parties have said about Miss S's lending with Tesco Bank. Having carefully considered everything, I think that Tesco Bank acted fairly and reasonably.

The relevant rules, regulations, and guidance at the time of Tesco Bank's lending decisions required them to carry out proportionate checks. While there isn't a defined list of checks a lender needs to carry out, such checks should be proportionate, considering things like the type, amount, duration and total cost of the loan, as well as the borrower's individual circumstances. These checks needed to assess Miss S's ability to afford the loan being approved and to be able to repay it sustainably, without causing her financial difficulties or harm.

It isn't sufficient for Tesco Bank to just complete proportionate checks, they must also consider the information obtained from these checks to make fair lending decisions. I've considered the checks Tesco Bank did and what they found from these checks for each of the loans.

#### *Loan for £8,500 in April 2023*

Prior to this loan being approved, Tesco Bank completed checks on the information provided within Miss S's application, reviewed Credit Reference Agency (CRA) data, gathered information from the Office of National Statistics (ONS) and completed an affordability assessment.

CRA checks revealed that Miss S had no bankruptcies, Individual Voluntary Arrangements (IVAs), County Court Judgments (CCJs), recent defaults or arrears with any other lenders. These showed Miss S had around £8,942 of unsecured debt, £499 in loans and the remainder in revolving credit.

In Miss S's application, she said that she was living with her parents with one dependent. She confirmed she was employed full time with a net monthly income of £2,844, which included £544 from an additional income. Checks carried out by Tesco Bank found that Miss S had a monthly housing cost of around £540, monthly living costs of around £711, current monthly loan payments at around £99 and other credit commitments totalling £253 per month. They also took into account the payments for this new loan of around £178 per month. Deducting these from Miss S's declared income meant that there was an estimated £1,063 of net disposable monthly income remaining.

The purpose of the loan was reconciliation of debt, and although Tesco Bank calculated disposable income with the inclusion of existing and new credit payments, they may have expected that the credit payments would have reduced.

Miss S says she was on maternity leave when this application was made and so her income was significantly lower than declared, only receiving between £160 and £1,996 in the months leading up to her loan application. She says she had provided her contracted salary rather than her actual income. Payslips and bank statements she has provided to our service confirm that she was earning an average of around £940 net per month in the lead up to this loan, as well as benefit payments. However, I think it was reasonable for Tesco Bank to rely on the declared income provided by Miss S when taking into consideration the surrounding information.

Based on the circumstances of this case, including the level of estimated disposable income based on application and CRA data, I'm satisfied that the checks done were sufficient, being reasonable and proportionate in the circumstances.

I also have to consider if, based on the information within these checks, the information was considered fairly. I think the decision to lend was fair and reasonable in the circumstances. I'll explain why.

The level of disposable income found from these checks was high, and Miss S's credit file indicated she was managing existing credit well. Her existing debt was not of concern compared to her declared income, and she was applying for this loan in order to consolidate this debt. The information provided to Tesco Bank and in the checks they carried out didn't indicate that Miss S was on reduced pay due to maternity leave, or that she was facing financial strain at the time. The checks showed it was more likely than not that the loan would be affordable and sustainable to Miss S. So, I don't think Tesco Bank acted unfairly in granting this loan.

#### *Loan for £9,960 in June 2024*

Miss S declared that she continued to live with her parents, still with one dependent. She said she was working full time with a net monthly income of £2,700 as well as an additional net monthly income of £563. The declared reason for this loan was for consolidation.

Tesco bank considered the application data, CRA data, an affordability assessment check and gathered ONS information. They also did an income validation check at this point. Although Miss S declared a total net monthly income of £3,263, Tesco Bank used a lower validated amount of £3,105. The affordability check carried out found Miss S's monthly housing costs to be £559, living costs were £683, loan repayments were £431 and other revolving credit was £166 per month. Tesco Bank also took into account monthly payments for the new loan, at around £354. This would leave an estimated amount of around £912 of disposable income per month.

CRA checks indicated that Miss S still had no CCJs, IVAs, defaults or recent arrears her credit commitments. There was, however, a significant increase in the amount of unsecured debt held by Miss S since her earlier loan application. This was now around £33,071, including around £27,543 of loan balances with the remainder being revolving credit.

Although the estimated disposable income was high, there was a notable increase in the amount of credit compared to the previous application just over a year earlier. Considering the previous loan had been for consolidation, I think there was enough at this point that Tesco Bank ought to have gathered some further information about Miss S's income and expenditure. I don't think these checks were reasonable and proportionate in the circumstances.

I therefore have to consider what information more than likely would have been available had reasonable and proportionate checks been carried out for the second loan application, and whether this information means that on balance the decision to lend was fair.

Miss S has provided her bank statements and payslips to give an idea of what information would have been found had Tesco Bank carried out further checks for the second loan. She was receiving an average base income of around £2,710 per month as well as around £100 in child benefit payments. I don't think there would, on balance, be a change to other expenditure figures given the detail in these statements as the estimates given by Tesco Bank would be higher. In some months, the credit repayments made were higher, however, I think it was fair for Tesco Bank to use credit repayment information from Miss S's credit file which gives a clearer amount over time which would need to be paid.

I think it is more likely than not that Tesco Bank would have found that Miss S had a remaining disposable income of around £617, which would mean the repayments would be affordable and sustainable. I'm satisfied that the purpose of the loan was at least in part to consolidate debt, which would also have meant that some existing credit commitments may have been expected to reduce. However, the estimated disposable income figure includes both the existing and new credit.

Miss S was making regular, and even additional payments on the existing loan up until the time of the complaint, and there is nothing to suggest from her account with Tesco Bank that she was struggling financially with making these repayments. Based on the above assessment, I find that had Tesco Bank conducted reasonable and proportionate checks, this would more than likely have found that the loan was affordable and sustainable in the circumstances. As a result, I think the decision to lend was fair.

Miss S has also raised that she thinks that the Tesco Bank haven't acted fairly in relation to Consumer Duty rules. These standards require firms to avoid foreseeable harm, provide appropriate support, and act in good faith. The reasons given by Miss S relate to the circumstances she found herself in prior to the first loan, which was given prior to the Consumer Duty rules coming into effect. In relation to the second loan, I wasn't able to find that there was evidence to suggest that there was information which Tesco Bank ought to have reasonably been aware of that would have made them aware of Miss S's financial difficulties, and I don't think they have done anything that has breached the Consumer Duty rules in this case.

While I was sorry to hear of the circumstances Miss S has faced that led to this complaint, I don't think Tesco Bank have acted unfairly in providing these loans or in their actions leading up to this complaint.

In reaching my conclusions, I've also considered whether the lending relationship between Miss S and Tesco Bank might have been unfair to Miss S under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Tesco Bank did not lend irresponsibly when providing Miss S with the credit account or otherwise treat her unfairly in relation to this matter. And I haven't seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons given above, I do not uphold this complaint against Barclays Bank UK PLC trading as Tesco Bank.

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

Frances Kerslake

**Ombudsman**