

The complaint

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

What happened

Miss B was approved for a Tesco credit card in November 2022, with a £2,450 credit limit. The credit limit was increased to £4,450 in August 2023, and it was increased to £6,450 in June 2025. Miss B says this was irresponsibly lent to her. Miss B made a complaint to Tesco, who did not uphold her complaint. Tesco said that reasonable and proportionate checks had been carried out, and they couldn't identify irresponsible lending. Miss B brought her complaint to our service.

Our investigator partially upheld Miss B's complaint. She said that Tesco should have completed further lending checks. While the first lending decision was fair, she said Tesco shouldn't have increased the lending above £2,450. Tesco asked for an ombudsman to review Miss B's complaint, but they did not raise any further points by the deadline our investigator set them in response to her second view of the complaint.

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.

Before agreeing to approve or increase the credit available to Miss B, 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 B declared a gross annual income of £25,000, which Tesco calculated to be around £1,700 net a month. The application data showed Miss B declared two financial dependents, and that she was self-employed. The checks showed that Miss B had no adverse data such as defaulted accounts, County Court Judgements (CCJ's) or accounts in arrears being reported by the Credit Reference Agencies (CRA's) that Tesco used.

A CRA reported that Miss B had unsecured debt totalling £11,810. So at the point of the checks, Miss B had around 47.2% of unsecured debt compared to the gross annual income she declared. Tesco used a mixture of information from the CRA and modelling to estimate Miss B's outgoings, and they calculated that Miss B had enough disposable income to be able to sustainably afford repayments for a £2,450 credit limit.

But from the information that Tesco has given our service, after a provision is made for

inflation and the servicing for new lending, this would only leave £1, which I can't fairly say would leave Miss B with any money for emergencies.

But as I'm mindful that Miss B intended to complete a balance transfer, this could have increased her disposable income as she should be able to reduce her interest payments on the amount transferred. In addition to this, as Tesco have included inflation in the figures also, this may not have reflected her current situation (therefore she may have more disposable income before inflation later reduced her disposable income).

So as my role is impartial here, I'm persuaded that Tesco should have completed further checks to ensure the repayments for the £2,450 credit limit would be affordable and sustainable for her based on the tight disposable income modelling suggested.

There's no set way of how Tesco should have made further proportionate checks. One of the things they could have done was to contact Miss B to ask her for her outgoings and to ensure she could afford the repayments on the Tesco credit card. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

While I'd like to thank Miss B for providing tax documents, I'm not persuaded that these would need to be requested by Tesco. I say this as I would expect the income Miss B declared on her application to be reflective of her anticipated earned income. The 2022/2023 tax year would not be complete, so while Miss B has provided data for this tax year, this wouldn't be available for Tesco to request in the unlikely event they would want to see this. And as the 2021/2022 tax year had finished six months earlier, it may not have been a true reflection of what Miss B may make moving forward into the following tax year.

I've viewed Miss B's bank statements leading up to this lending decision. Miss B appears to manage her main bank account well. It does appear as if she had enough disposable income in order to make sustainable and affordable repayments for a £2,450 credit limit. So I'm persuaded that Tesco made a fair lending decision here.

August 2023 credit limit increase - £2,450 to £4,450

A CRA was reporting unsecured debt of £9,374 at the time of these checks, which was lower than at the last lending decision. There were no external accounts in arrears since the Tesco account had been opened.

Tesco also completed an affordability assessment to see if Miss B would be able to make sustainable and affordable repayments for the £2,000 credit limit increase. Tesco used Current Account Turnover (CATO), which is an industry standard way of assessing income. But I would expect if there was other data Tesco had which could suggest that the CATO was not reflective of her actual income, then Tesco would make further checks. And I'm persuaded that there is a discrepancy here.

I say this because it was less than a year ago that Miss B declared a gross annual income of £25,000, which Tesco calculated to be £1,700 a month. Yet the CATO was showing as £3,526 – which was more than double she declared. While I can't rule out Miss B's business growing over the time she applied for the Tesco credit card and now, then I think this should have prompted further checks from Tesco.

I say this as the outgoings Tesco calculated for Miss B at this lending decision were for £2,169.50. So if she was still earning around £1,700 a month, then she wouldn't have any disposable income to make repayments for the credit limit increase. As Tesco use a percentage of her net monthly income for living expenses, then on this occasion, it would

have been proportionate for Tesco to verify her income in a way other than CATO, as opposed to relying on modelling.

Tesco have calculated 5% of the credit limit to be a sustainable monthly repayment. So in this case the credit limit increase would be an extra £100 a month and the existing credit limit at 5% each month would be £122.50, so a total of £222.50 a month. I want to stress that this is based on Tesco's 5% repayments, and I'm not making a finding on what a sustainable repayment would be.

While I acknowledge Miss B has been making repayments typically above 5% on her outstanding balance from account opening to the credit limit increase, I also need to be mindful that these repayments aren't in line with what Tesco's sustainable repayments would be for a £4,450 credit limit (nor would I expect them to be on a lower credit limit). But the reason why I say this is because if she had been making total payments in line with this credit limit, then I would have been persuaded it wouldn't have been proportionate to have made further checks if Miss B had been shown to repay in line with Tesco sustainable repayments consistently for the higher credit limit.

As I've previously explained, there's no set way of how Tesco should have made further proportionate checks. One of the things they could have done was to contact Miss B to ask her for her income and outgoings and to ensure she could afford the repayments on the Tesco credit card. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

But again, while Miss B has provided her tax data for the 2023-2024 tax year, this tax year was not completed at the point of this lending decision, so Tesco would not have asked for this information at the time of the checks, so I've disregarded this.

I have viewed Miss B's statements. And there are a lot of transfers. But as I understand matters, Miss B did try and save money not because she had a disposable income, but because this was a known tax liability at the end of the tax year. And I have no reason to doubt what Miss B has told us here as a self-employed person often has until 31 January of the following calendar year, to file and pay their self-assessment taxes.

Miss B's statements do not appear to show that she could make sustainable and affordable repayments for a £4,450 credit limit, after she had put aside money for her tax liabilities, made her debt repayments, and transferred money to her partner for the bills – again, I don't doubt what Miss B has told us here as there are no mortgage repayments etc debiting her account. So I can't conclude Tesco made a fair lending decision here.

Further credit limit increase

If Miss B's credit limit was not increased to £4,450, then it's probable that the further lending decision wouldn't have happened after this either. So I think there is an argument for saying that Miss B's complaint about the subsequent lending decision should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in August 2023, then I'm not persuaded that Tesco would've added to the credit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Miss B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that Tesco takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if Tesco do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

My final decision

I uphold this complaint in part. Barclays Bank UK PLC trading as Tesco Bank should take the following actions;

Tesco should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £2,450 after 7 August 2023;

If the rework results in a credit balance, this should be refunded to Miss B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Tesco should also remove all adverse information regarding this account from Miss B's credit file recorded after 7 August 2023;

Or, if after the rework the outstanding balance still exceeds £2,450, Tesco should arrange an affordable repayment plan with Miss B for the remaining amount. Once Miss B has cleared the balance, any adverse information recorded after 7 August 2023 in relation to the account should be removed from Miss B's credit file.

**If Tesco considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss B how much they've taken off. They should also give Miss B a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

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

Gregory Sloanes
Ombudsman