

The complaint

Mrs L says Barclays Bank UK PLC, trading as Tesco Bank, irresponsibly lent to her.

What happened

Mrs L took out three loans from Tesco Bank as set out below:

loan	taken out	repaid	value	term in months	monthly repayment
1	06/03/2020	18/05/2021	£16,500	54	£375.30
2	07/07/2021	09/08/2022	£16,000	36	£505.49
3	20/10/2022	23/12/2024	£13,400	36	£469.81

She says it was irresponsible for Tesco Bank to give her three loans in four years – it may argue she did not have bad credit, but she was in a cycle of borrowing to repay.

Tesco Bank says it carried out adequate checks that showed all three loans to be affordable.

Our investigator didn't uphold Mrs L's complaint saying Tesco Bank's checks were proportionate and it made fair lending decisions based on the information it gathered.

Mrs L disagreed with this assessment and asked for an ombudsman's review.

I reached a different conclusion to the investigator, so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new information by 3 March 2026.

Extract from my provisional decision

Tesco Bank says that it carried out all relevant checks when making its decisions and the loans were deemed to be affordable for Mrs L.

I have reviewed these checks – Tesco Bank reviewed Mrs L's income, housing costs, credit commitments and history and estimated her living costs using national statistics to calculate her disposable income, and to understand her creditworthiness. It asked about the purpose of each loan which was debt consolidation. I find these checks were proportionate for loans 1 and 2 and that Tesco Bank made fair lending decisions. But I am not wholly satisfied this was the case for loan 3 given the pattern of repeat borrowing and the increase in Mrs L's debt elsewhere. However, I need not comment further on this as even based on the information it had I don't find Tesco Bank made a fair lending decision for loan 3. I'll explain why – I have set out below some of the key data my findings rely on.

loan	unsecured debt	net monthly income	existing credit commitments pcm	as a % of income	net disposable income
1	£16,054	£1,900	£425	22	£329.70

2	£17,061	£1,911	£473	25	£159.21
3	£28,892	£2,294	£733	31	£252.99

At the time of loan 1 Tesco Bank's checks showed Mrs L could afford its loan and there was no adverse information on her credit file. It was the first time Mrs L was borrowing from Tesco Bank to consolidate debts so it was reasonable for it to believe she would use the loan for its stated purpose. It would allow her to repay all her existing debt and so was not incremental debt, rather she was refinancing her debt to better manage her finances. So I don't think it was wrong for Tesco Bank to give loan 1 to Mrs L.

When she applied for loan 2 the situation was similar. I have thought carefully about this lending decision as it did leave Mrs L with less disposable income, but that figure was pre-consolidation. And it did seem Mrs L was managing her debt well as there was no adverse information on her file and her debt had not increased significantly since loan 1. It appeared she had settled debts as planned. So, on balance, I think it was fair for Tesco Bank to again believe she would use the loan for its stated purpose: it appeared she was continuing to actively manage her debt and make it as affordable as possible.

However, by the time Mrs L returned for loan 3 I think there were signs that Mrs L was in a cycle of borrowing to repay that was becoming harmful. The amount of her income she needed to spend on her debt each month was climbing and her debt had increased by 70%. I no longer think the lender could wholly rely on Mrs L's stated purpose of the loan. Unlike the previous two loans, loan 3 would cover less than half of Mrs L's total debt if used as intended. And if not, she would be spending over 50% of her income each month on credit – a level which the industry knows can be indicative of pending financial difficulties. As it knows Tesco Bank was obliged to do more than check the pounds and pence affordability of the loan. And in this case I cannot see it had the assurances it needed that giving loan 3 to Mrs L did not carry a risk of possible financial harm.

It follows I find Tesco Bank was wrong to give loan 3 to Mrs L.

I then set out what Tesco Bank would need to do to put things right.

Mrs L responded to say she accepted the provisional decision. Tesco Bank disagreed.

It said, in summary, Mrs L had previously taken consolidation loans and used them as intended. Her credit file showed no adverse information, and nothing suggested she would not follow the same pattern. So it was reasonable and proportionate to rely on the stated consolidation purpose, as before. Mrs L managed loan 3 well and repaid it in full without arrears or any signs of strain – this is inconsistent with the risk suggested. She made several additional payments to the loan, resulting in the term reducing from 36 to 23 months and considerable interest rebates. How Mrs L went on to manage her account aligns with its assessment that the lending was sustainable at the time. It is not indicative of someone in financial difficulty. Upholding loan 3 on the basis of possible financial harm is based on a theoretical outcome rather than Mrs L's actual behaviour.

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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our

website and I've taken that into account when considering Mrs L's complaint.

I have thought carefully about Tesco Bank's comments, but they do not change my conclusion. I'll explain why.

If Mrs L was successfully consolidating her debt as it argues – rather than in a harmful cycle of borrowing to repay – I cannot see that her total unsecured indebtedness would have grown as it did between loans 2 and 3. So from the available evidence I am not persuaded Tesco Bank could be confident Mrs L would use loan 3 as stated.

Tesco Bank then presented information on how Mrs L managed loan 3 arguing that this shows it was sustainably affordable for her. But as it knows we look at what it knew at the time of a lending decision to decide if it was made responsibly – rather than what happened afterwards. It does not know how she funded the repayments or the overpayments, and whether she borrowed again.

It follows I remain of the view that there was a risk of financial harm in giving loan 3 to Mrs L and so Tesco Bank was wrong to do so.

Putting things right for loan 3

In this case, I think it's right that Mrs L should have to repay the capital she borrowed as she had the use of that money. But it is unfair that she should pay interest and charges on a loan that should not have been given.

So Tesco Bank should:

- Add up the total amount of money Mrs L received as a result of having been given the loan. The repayments Mrs L made should be deducted from this amount.
- If this results in Mrs L having paid more than she received, any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement). Tesco Bank should also remove any adverse information regarding this loan from Mrs L's credit file.

*HM Revenue & Customs requires Tesco Bank to take off tax from this interest. Tesco Bank must give Mrs L a certificate showing how much tax it's taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mrs L 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.

My final decision

I am upholding Mrs L's complaint in part with regard to loan 3. Barclays Bank UK PLC, trading as Tesco Bank, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 2 April 2026.

Rebecca Connelley

Ombudsman