

The complaint

Mr T complains that Barclays Bank UK PLC, trading as Tesco Bank, lent to him irresponsibly when it provided a £15,000 loan whilst he was unemployed.

What happened

Date	Loan value	Term (months)	Monthly repayments
March 2022	£15,000	60	£310.83

In May 2025, Mr T complained to Tesco that the decision to provide this loan was based on a flawed assessment, most significantly, that it did not validate the income he declared at application and did not adequately consider his indebtedness.

Tesco responded to the complaint, rejecting it. It was satisfied that the checks completed were proportionate and that its affordability assessment left sufficient monthly disposable income. Mr T disagreed and referred the complaint to our service.

A provisional decision was issued on 31 March 2026, it said:

The rules and regulations in place at the time Tesco provided Mr T with the loan required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Tesco had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr T. In other words, it wasn't enough for Tesco to consider the likelihood of them getting the funds back or whether Mr T's circumstances met their lending criteria – they had to consider if Mr T could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Tesco did what was needed before lending to Mr T.

When applying for the credit, Tesco relied on Mr T's declaration of his income. While in some cases this might be fine, I don't think it was here. I say this because Mr T was significantly indebted at the time – he owed around £35,000 in unsecured credit externally which was a large amount when compared to his declared income, and when you consider the £15,000 provided by Tesco would increase his indebtedness to around £50,000.

Because Tesco didn't verify Mr T's income and expenditure at the time, we've obtained current account statements to see what Tesco might have found out about his financial situation had they asked.

Having looked at Mr T's bank statements leading up to Tesco providing the loan, I did not see the income of £3,500 he had declared. I saw large deposits from loans being moved into a crypto account and small amounts being moved back in to cover living expenses. Mr T has since confirmed to us that because he was unemployed, he was taking out loans, investing the money, which he lost, and replacing the lost money with more loans.

Had Tesco obtained more information, it is my opinion that they would not have lent to Mr T.

With the above in mind, I'm satisfied that reasonable and proportionate checks weren't completed here. And having pieced together what those checks might have shown, the decision to lend to Mr T was irresponsible.

Mr T accepted the provisional decision, but Tesco disagreed.

In summary Tesco said they were entitled to rely on the income declared, and that income verification isn't required in every case. They pointed out that while Mr T's existing unsecured credit of around £35,000 was high, the majority of it was on a fixed term loans and there were no adverse markers to indicate any financial difficulty.

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.

In technical terms, all that Tesco have said in response to the provisional decision is correct and it is certainly regrettable that Mr T declared an income that he wasn't receiving. But as referred to in the provisional decision, the checks a lender must perform, need to be proportionate to the circumstances.

In this case, Mr T's existing unsecured debt was largely equivalent to his declared salary, before this loan increased it by a further £15,000, almost a 50% increase. This loan provided by Tesco required not insignificant monthly payments, of over £300, for the fairly lengthy period of five years.

Tesco's credit checks also showed Mr T had a joint mortgage of around £400,000, requiring monthly repayments of just under £1,600. Tesco have shown that they included £800 per month towards the mortgage in their affordability assessment, but not that this split was itself verified with Mr T.

So, I think that the level of existing debt, noted above, should have led Tesco to perform further proportionate checks. Therefore on balance, having reviewed everything and with there being no new evidence to consider, I see no reason to depart from the provisional decision.

Putting things right

As I don't think Barclays Bank UK PLC, trading as Tesco Bank, ought to have provided the loan, I don't think it's fair for them to be able to charge any interest or charges under the

credit agreement. But I think Mr T should pay back the amount he borrowed. Therefore, Barclays Bank UK PLC, trading as Tesco Bank, should:

- Add up the total repayments Mr T has made and deduct these from the total amount of money he received.
 - If this results in Mr T having paid more than he received, any overpayments should be refunded along with 8% simple interest per year* (calculated from the date the overpayments were made until the date of settlement).

Barclays Bank UK PLC, trading as Tesco Bank, should also remove all adverse information regarding this account from Mr T's credit file.

- Or, if any capital balance remains outstanding, then Barclays Bank UK PLC, trading as Tesco Bank, should arrange an affordable and suitable payment plan with Mr T.

Once Mr T has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

* HM Revenue & Customs requires Barclays Bank UK PLC, trading as Tesco Bank, to take off tax from this interest. Barclays Bank UK PLC, trading as Tesco Bank, must give Mr T a certificate showing how much tax they've taken off if he asks for one.

My final decision

It's my final decision that I uphold this complaint and Barclays Bank UK PLC, trading as Tesco Bank, must put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 18 May 2026.

David Barker
Ombudsman