

complaint

Mr D complains that Tesco Personal Finance PLC applied irresponsible lending criteria when approving his loan application.

background

Mr D applied successfully online for a five figure loan. When his circumstances changed shortly after, the loan repayments became unaffordable. He's questioned the bank's lending policies and the checks it carried out when his application was approved.

Our adjudicator didn't uphold the complaint on the basis that Tesco had acted fairly and reasonably. Mr D disagrees, so the complaint has been referred to me.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I sympathise with the position in which Mr D finds himself – and I can appreciate that his changed circumstances make it difficult for him to meet his monthly repayments on the loan he took out when he was in full time work.

We work to ensure customers do not suffer any financial loss as result of a bank's errors. But, I agree with our adjudicator that, looked at overall, I can't fairly say Tesco has acted incorrectly – or in a way that hasn't been fair and reasonable.

I say this because it looks to me as if the bank took all relevant information into account and properly assessed affordability when Mr D applied for a loan, based on the information he provided at the time.

Tesco says Mr D met its lending criteria, so it sent him an application pack in the post and asked him to read through the information to make absolutely sure the loan was right for him. Tesco says it asked Mr D to think about whether he could afford the loan - and to take all his financial commitments into account before signing and returning the credit agreement – along with a bank statement.

I've taken into account that the employer's name on the loan application wasn't the same as the name on the bank statement Mr D produced as evidence of his income. But Tesco says it isn't unusual for wages to be paid via a third party – and the evidence supported the amount Mr D had declared. So I don't think it is reasonable to say this is a reason why the loan shouldn't have been approved.

I appreciate that Mr D feels the bank's principles towards lending are inadequate, especially with regard to young people who are unfairly persuaded to borrow money beyond their means. As we are not the regulator, I cannot make the bank change its systems or process.

I am just dealing here with Mr D's complaint – and I don't feel I can say that the bank acted unfairly or unreasonably when it agreed Mr D's loan application.

So I can't fairly require the bank to take any further action.

I would just remind both parties that lenders must respond positively and sympathetically to a customer in financial difficulty. And if Mr D would like some help to manage his financial situation, we can give him details of organisations that can offer advice and assistance, if he'd like us to do that.

my final decision

For these reasons, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D to accept or reject my decision before 11 March 2015.

Susan Webb
ombudsman