

## **Complaint**

Mr E has complained about a personal loan Tesco Personal Finance PLC (trading as “Tesco Bank”) provided to him.

He says that he doesn’t think that significant or proportionate checks were carried out bearing in mind the amount he was lent.

## **Background**

Tesco Bank provided Mr E with a loan for £19,500.00 in November 2017.

Mr E’s loan had an APR of 10.3% and a term of 62 months. This meant that the total amount to be repaid of £25,176.60, which included interest, fees and charges of £5,676.60, was due to be repaid in 60 monthly instalments of £419.61.

One of our investigators reviewed what Mr E and Tesco Bank had told us. And she thought that Tesco Bank hadn’t done anything wrong or treated Mr E unfairly. So she didn’t recommend that Mr E’s complaint be upheld.

Mr E disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr E’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr E’s complaint. I’ll explain why in a little more detail.

Tesco Bank needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Tesco Bank needed to carry out proportionate checks to be able to understand whether Mr E could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Tesco Bank says it agreed to Mr E's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and Mr E's bank statement which he was asked to provide. In its view, all of this information showed Mr E could afford to make the repayments he was committing to.

On the other hand, Mr E has said he should never have been provided with this loan because of his existing financial position.

I've carefully thought about what Mr E and Tesco Bank have said.

The first thing for me to say is that Tesco Bank clearly asked Mr E to provide documentary evidence to support his application. So I don't think that this was a case of Tesco Bank simply accepting an over-optimistic declaration of monthly disposable income at face value.

Tesco Bank's credit searches also did show that Mr E had some existing debts. But it's fair to say that these weren't excessive and that they were being reasonably managed. Furthermore, having looked at the bank statement Mr E provided to Tesco Bank at the time, I can't see anything obvious on it which indicated Mr E wouldn't be able to make the repayments to this loan.

Indeed, the information gathered appeared to suggest that Mr E had the disposable income to be able to make the repayments required here, particularly if he consolidated his existing debts in the way that he said he intended to. Equally as this was Mr E's first loan and there wasn't a history of Mr E applying for loans from Tesco Bank and the failing to consolidate his debts as he said he would, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr E's existing indebtedness in a way that was unsustainable or otherwise harmful.

I appreciate that Mr E has disputed the accuracy of Tesco Bank's checks given it recorded him as being a homeowner and he's provided evidence to show he was instead paying rent. But even if Mr E was paying rent, I don't think that this means that Tesco Bank's checks weren't proportionate or that it shouldn't have lent. I say this as it took a bank statement from Mr E and this showed that he had sufficient funds to cover his regular expenditure and this loan.

As this is the case, I don't think that Tesco Bank did anything wrong when deciding to lend to Mr E - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Tesco Bank treated Mr E unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr E's complaint. I appreciate this will be very disappointing for Mr E. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 28 November 2023.

Jeshen Narayanan  
**Ombudsman**

