

## **The complaint**

Mrs S complains that Tesco Personal Finance PLC (Tesco) declined her application for a loan, which has resulted in her having to take out a loan with a different provider on a higher rate of interest.

## **What happened**

On 22 March 2022, Mrs S applied to take out a loan with Tesco. Mrs S says the application was declined and she called Tesco to find out the reason why, but she wasn't provided with a reason. Because of this, Mrs S took out a loan with a different provider who were offering a higher rate of interest than Tesco's advertised rate – making the borrowing more expensive.

Later, on 27 March 2023, Tesco manually processed another application for Mrs S. This is because it noted that the previous application had declined because the credit reference agency it used couldn't provide any credit information at the time of initial application. Tesco processed a credit search visible on Mrs S's credit file without her consent.

Tesco responded to Mrs S's complaint and upheld it in part. It explained that when Mrs S called to find out why the application had declined, the application should have been referred to its underwriters because the reason the application had declined was due to the credit reference agency, at that time, not being able to carry out a credit search. Tesco did note though that the agent gave Mrs S the option of appealing the declined decision. Tesco also agreed that it had carried out a credit search on 27 March 2023 without Mrs S's consent, which it shouldn't have done. To apologise for the things it got wrong, it offered to pay Mrs S £100 and remove the search from her credit file. Tesco said that it wouldn't reimburse Mrs S with the additional cost to her in taking out a different loan. It said that it couldn't guarantee that Mrs S would have been accepted for the advertised rate – and it couldn't confirm what interest rate it would have offered her. Although, it did say that the application that was re-keyed on 27 March 2022, would have offered her the advertised rate.

Mrs S remained unhappy with this and so brought the complaint to this service. An Investigator considered what both parties had said, however they felt that Tesco had done enough to put things right. They said that Tesco couldn't guarantee the rate that Mrs S would have been offered. And that Mrs S was given the option of appealing the decision. Mrs S didn't agree with the Investigators view, and so the complaint has been passed to me to make a decision on the matter.

## **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.

Having considered everything available to me, I won't be upholding Mrs S's complaint. I appreciate this decision will come as a disappointment to her, however I will explain my reasons for this below.

It's not in dispute here that Mrs S's loan application declined because the credit reference agency couldn't carry out a credit search. It's also not in dispute that Mrs S wasn't told this during the phone conversation she had with it after the application had declined.

However, I note that during the telephone conversation Mrs S was offered the option to appeal the decision. I accept that Mrs S says that she didn't want to do this because her application had already declined, but I must take into account that this was offered to her. So she could have had her application reviewed at the time.

Again, I don't think it's in dispute that Mrs S ended up taking out a loan with a different lender on a higher rate of interest because her application with Tesco was declined. Tesco has said that when it re-keyed the Mrs S's application the second time, it would have offered her the advertised rate she wanted – based on this, I don't think it's unreasonable to assume that it's more likely than not that Mrs S would have also been offered this rate five days previously if her first application had gone through properly. So it's now for me to decide if Tesco are responsible for Mrs S's financial losses in taking a loan on a higher rate. And I don't think it is.

I can't fairly hold Tesco responsible for the application declining – given that it was reliant on the credit reference agency providing data about Mrs S, which it couldn't do at the time the application was processed.

It is clear from the phone conversation that happened after the application declined that Mrs S was surprised by the outcome of the application, given her circumstances. And I note she was provided with the option of having the application looked at manually by the underwriting team, but she didn't request to do this. I can't fairly say that Tesco should be responsible for the financial losses she says she has suffered, given that she was given the option to have it manually reviewed.

I agree that it was wrong of Tesco to process a credit search without Mrs S's consent. It has said it would remove this search from her credit file which is what I would have expected it to do.

Overall, I'm satisfied that the £100 Tesco has already offered Mrs S is a fair compensation award for the things it got wrong – along with the removal of the credit search. So I won't be asking it to do anything more for Mrs S.

### **My final decision**

For the reasons set out above, I don't uphold Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 23 December 2023.

Sophie Wilkinson  
**Ombudsman**