

The complaint

Mr D has complained about a credit card Tesco Personal Finance PLC (trading as “Tesco Bank”) provided to him.

He says the credit card was irresponsibly provided as it should have been clear from his credit file that any lending was inappropriate.

What happened

Tesco Bank provided Mr D with a credit card with an initial limit of £250 in May 2023. Mr D wasn't provided with any credit limit increases.

One of our investigators reviewed what Mr D and Tesco Bank had told us. And he thought Tesco Bank hadn't done anything wrong or treated Mr D unfairly in relation to providing the credit card. So he didn't recommend that Mr D's complaint be upheld.

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

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 explained how we handle complaints about unaffordable and irresponsible lending on our website.

And I've used this approach to help me decide Mr D's complaint. Having carefully considered everything, I've decided not to uphold Mr D's complaint. I'll explain why in a little more detail.

Tesco Bank needed to make sure 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 D could afford to repay any credit it provided.

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 D's application after it obtained information on his income

and carried out a credit search. And the information obtained indicated that Mr D would be able to make the low monthly repayment due on this credit card. On the other hand Mr D says that he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

It's clear that Tesco obtained some information before making its lending decision. And what is important to note is that Mr D was provided with a revolving credit facility rather than a loan. This means that Tesco Bank was required to understand whether a credit limit of £250 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £250 required small monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Tesco Bank obtained from Mr D about his income and that was on the credit search carried out. And this information doesn't indicate to me that Tesco Bank ought to have realised that Mr D didn't have the funds to make the low monthly payment that would be required for this credit card.

Mr D says that Tesco Bank recorded him as being employed in a managerial capacity in circumstances where he has never held a managerial role. I don't know what happened here. It's possible Mr D declared he was a manager, or it's possible that there was some kind of error in terms of transferring the information that had already been gathered by the company Mr D used to search for a credit card.

Either way, given the low amount being lent here and the neither the credit searches Tesco Bank carried out or the credit file Mr D has provided showing over-indebtedness, I don't think that Tesco Bank needed to further verify what was in the information it had before lending.

I accept that Mr D says that his actual circumstances at the time were worse than what the information Tesco Bank obtained showed. I'm sorry that to hear that Mr D has been unwell and that he has been unable to work because of this. That said, Tesco Bank did not know about this. There wasn't anything in the application provided to indicate this. And, in any event, Tesco Bank didn't have the authority or consent to obtain medical records on Mr D.

Furthermore, in my view, there wasn't anything immediately obvious in the information that Tesco Bank had, including Mr D's existing indebtedness bearing in mind his declared income, which meant it should've asked Mr D to provide supporting evidence, such as bank statements, before providing him with a credit card in this instance.

So overall while I can understand Mr D's sentiments and I'm sorry to hear about his situation, I don't think that Tesco Bank treated Mr D unfairly or unreasonably when providing him with his credit card. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable.

Consequently I'm not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. 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 D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 December 2023.

Jeshen Narayanan
Ombudsman