

## **The complaint**

Miss P has complained that Tesco Personal Finance PLC trading as Tesco Bank acted irresponsibly when it provided her with two loans between 2017 and 2018.

## **Background**

Miss P took out two loans with Tesco Bank, one in March 2017 and the second in April 2018. She has said that at the time her borrowing was becoming unmanageable and that she was overly reliant on credit, borrowing from one lender to repay another. She's said that if Tesco Bank had completed proper affordability checks it would've realised that she was over extended and would struggle to repay the loans.

Tesco has said that at the time of each loan application it ran proportionate checks on Miss P and that the loans appeared to be affordable and sustainable. It says the first loan was taken out for home improvements and then consolidated into the second loan. It has provided evidence of the information it gathered at the time as well as referring to the information from Miss P's credit file, which it said didn't show any signs that she was struggling to meet her existing credit repayments. So, it thought it did enough and that the evidence at the time showed the lending was appropriate. So, it didn't uphold Miss P's complaint.

Unhappy with Tesco Bank's response Miss P brought her complaint to our service. One of our investigators looked into it already. He found that based on the information available to it at the time there was nothing on Miss P's credit file or lending history that would indicate further credit would be problematic for her. So, he didn't uphold her complaint. Miss P disagreed with the investigator's findings and asked for an ombudsman to review her complaint and so it's been passed to me for consideration.

## **My findings**

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

Having done so I agree with the findings reached by our investigator and won't be upholding Miss P's complaint. I know this will come as a disappointment to Miss P and so I'd like to explain why I've reached the outcome I have.

I also want to acknowledge that I've summarised the events of the complaint. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Miss P has explained that at the time she applied for both loans she was living outside of her means and applying for credit beyond what she could reasonably afford. She's said that this was linked to toxic relationship with someone who was controlling and advising her to take out loans and credit cards she otherwise wouldn't have applied for. I'd like to thank Miss P

for sharing this information with us, I know it's very difficult to disclose and I'm glad to hear that her situation has since changed and she's in a better place personally.

When we consider whether or not businesses acted responsibly when providing credit to consumers we look at what checks were carried out and what information those checks produced. There are rules set out by the regulator, the Financial Conduct Authority, in regard to what lenders need to do before providing credit. But while those rules require affordability checks to take place, they don't stipulate exactly what the checks should be. So, lenders have some discretion around what information they'll ask consumers to provide before agreeing to lend to them. And this means consumers may notice that different lenders asked for different things when they applied for credit with them.

When Miss P applied for her loans with Tesco Bank it asked her to complete an income and expenditure form so it could see what her existing outgoings were and what her likely disposable income might be. It also ran checks on her credit file to understand what her existing monthly credit repayments were and how those accounts were being maintained. These are pretty standard affordability checks and depending on what the results of those are businesses may approve the application, decline the application, or ask for additional information, like bank statements for example.

When Miss P completed her application she declared she had a monthly net income of about £1,900. Her existing outgoings, including her mortgage/rent, existing credit repayments and other living costs came to approximately £700. Which meant that the loan appeared to be affordable as even with monthly repayments included she'd still have roughly £900 a month left over once all her credit obligations were met.

In addition to this Tesco Bank has also said that Miss P's credit file showed no signs of any stress in either March 2017 or April 2018 when she applied for the loans. She did have some existing forms of credit, such as loans and credit cards, but these were being properly maintained and there was no evidence of missed payments etc. And the second loan, from April 2018, consolidated the first loan, so while the monthly repayment amount increased, there was only one monthly repayment required. So, it was satisfied that Miss P could afford the loans and would be able to sustain them over the repayment term.

Miss P has said that it should've been clear she was overly dependent on credit and was borrowing to meet existing credit obligations. She's provided us with some screen shots of bank statements at the time that show her account as overdrawn. She doesn't think the credit was sustainable and has explained that in February 2019 she started to miss payments and the loan eventually defaulted in the summer of 2019.

I've looked at the statements Miss P has provided and while I can see that the account was overdrawn I can also see that Miss P transferred £5,000 into it from another account in her name to clear the balance. So, although Miss P was using the overdraft facility on this account, it does seem like she had access to funds elsewhere and so I've not been able to rely on these bank statements as evidence that Miss P had no disposable income available to her at the time.

I've also noted in between the first loan taken in March 2017 and the second loan taken in April 2018, Miss P took out a mortgage which would've involved very thorough affordability checks, which are considerably more extensive than those completed for lower value unsecured personal loans. So, it seems unlikely that Miss P would've been approved for a mortgage if her finances were showing indications that she was struggling. Following this Miss P also applied for a store card and a loan with another high street bank, but again the addition of these new forms of credit, in and of themselves, don't necessarily indicate that she was over extended. And both of these accounts were being well maintained when Miss

P applied for her second loan with Tesco Bank.

I can see that after the second loan was taken in April 2018 Miss P started to apply for more unsecured personal loans and credit cards. But these were all with different providers and all happened after the second loan application with Tesco Bank.

I don't doubt Miss P when she says that the various forms of credit she applied for between 2017 and 2019 ultimately resulted in her becoming over indebted and unable to manage her finances. And I'm sorry these choices were made as a result of pressure put on her by a coercive partner. But I can only consider the information available to Tesco Bank in March 2017 and April 2018 and whether the decision it made to provide Miss P with the loans was reasonable. And that comes down to what information it gathered and what that information told it about Miss P's circumstances in March 2017 and April 2018. And having looked at that I can't say there was anything in the information Miss P provided, or the information available on her credit file at the time, that should've alerted the bank that she may struggle to repay the loans.

And because I can't say the bank should've known the loans would likely become unmanageable or were unaffordable, I can't say Tesco Bank was wrong to provide her with the loans and so I can't uphold her complaint.

### **My final decision**

For the reasons set out above I don't uphold Miss P's complaint against Tesco Personal Finance PLC trading as Tesco Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 27 October 2023.

Karen Hanlon  
**Ombudsman**