

## **The complaint**

Mr C complains that Tesco Personal Finance PLC trading as Tesco Bank declined his loan application. He's also unhappy that he was offered an alternative loan with Shawbrook Bank at a much higher rate of interest.

## **What happened**

On 14 November 2023, Mr C applied for a loan online with Tesco Bank. The loan was for £9000 over 4 years at an interest rate of 5.9%. Tesco Bank declined the application. It provided Mr C with details of an alternative loan with Shawbrook Bank at an interest rate of 16.3%, which Mr C wasn't interested in.

Following his application for the loan being declined, Mr C contacted the credit reference agencies to see if there was something on his credit file which explained why the loan had been declined. He was unable to find anything.

Mr C complained to Tesco Bank. He said that the first loan had been falsely advertised and that he was misled as to its availability. He was unhappy that he hadn't been provided with the reason for the loan being declined.

Tesco Bank didn't uphold the complaint. It said the loan application had been declined based on its affordability criteria.

Mr C remained unhappy and brought his complaint to this service. He said he believed that Tesco Bank had used a "bait and switch" tactic. He said he had an excellent credit record and had borrowed from Tesco Bank before without any issues.

Our investigator didn't uphold the complaint. They said they were unable to find any evidence that Mr C was guaranteed that his loan application would be accepted. They said that banks had the right to set their own lending criteria, and, in this case, they couldn't see that Tesco Bank had made an error.

Mr C didn't agree. He said the investigator hadn't addressed his concerns about "bait and switch". He said that Tesco had offered one rate in order to be able to switch people to a different rate. Mr C also said that no account had been taken of the fact that he had an exemplary credit record.

## **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.

I've reviewed the final response that Tesco Bank sent to Mr C. In that letter, Tesco Bank explained to Mr C that his loan application had been declined based on the bank's internal affordability criteria.

It's up to each lender to set their own lending criteria. The criteria will vary from lender to lender. The factors that a lender takes into account may include things like credit score,

income, existing credit, credit history and debt to income ratio. Information from credit reference agencies and information that is included on the loan application form is also taken into account.

I appreciate that Mr C has provided evidence to show that he has a high credit score. However, a credit score is only one of several factors which a lender may take into account when assessing a loan application. In Mr C's case, I can see that the reasons given by Tesco Bank for declining the loan application was affordability. This service can't require a lender to disclose specific information behind the reason for the decline. But I'm satisfied that Tesco Bank has provided a reason, and there's no evidence to suggest that Tesco Bank didn't treat Mr C fairly when it assessed his application and applied its lending criteria.

I understand that Mr C has concerns about what he calls "bait and switch". However, I'm not persuaded that Tesco Bank has done anything wrong here. Although Mr C wasn't accepted for the loan he applied for, there's nothing to suggest that this loan isn't available. I'm not persuaded that there has been any false advertising.

I appreciate that Mr C didn't want the alternative loan he was offered – for which he satisfied the lending criteria – because the interest rate was higher. I've reviewed what Mr C would've seen when he applied for the Tesco Bank loan and I can see that as part of the loan application process, Tesco Bank provided information about its relationship with an alternative lender and made it clear that if it wasn't able to offer a loan, it would share the application with that lender. I can see that the rate offered by the alternative lender was higher. But this of itself doesn't mean that Mr C has been treated unfairly. Rates – like lending criteria as I've explained above – vary from lender to lender.

I appreciate how strongly Mr C feels about this, especially as he has an excellent credit record and has had loans from Tesco Bank in the past. I understand that he's disappointed that his application was declined. However, as I've explained above, I haven't seen anything to suggest that Tesco Bank applied its lending criteria unfairly. I won't be asking Tesco Bank to do anything further.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 May 2024.

Emma Davy  
**Ombudsman**