

The complaint

Mr D complains Tesco Personal Finance PLC unfairly declined his application for a loan. He's also complained they recorded too many hard searches on his credit file.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

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, I've reached the same conclusions as our Investigator, for these reasons:

- It's for individual businesses to determine their risk appetite when offering borrowing, and this isn't something our service has the power to change. However, we can investigate whether a business has treated a consumer in the same way it would another customer, with similar circumstances. And if we're persuaded it hasn't, we could ask them to take steps to put things right. In this case, Tesco has sent us evidence that persuades me Mr D's circumstances didn't meet their lending criteria, and that is why his loan application was declined. So, I do consider they treated him fairly in that regard. But given the points raised by Mr D, I've also had to consider what was explained to him at the time.
- If a loan is declined, our service wouldn't normally say a business is obligated to share the specific reasons for declining an application with a customer. That's because this information is commercially sensitive. So, I don't think Tesco treated Mr D unfairly by not giving him an explicit reason. I have listened to several phone calls between Mr D and Tesco, and I'm satisfied they never said or implied his application would be approved after the manual appeal was completed. However, I do think they gave him somewhat unhelpful information after they carried out a manual appeal of his application. That's because they told Mr D to check his credit file, despite them already being aware he was very concerned about incorrect information being registered with credit reference agencies. I don't consider telling Mr D to do this was particularly helpful in the circumstances – in fact, all it did was add to the worry and distress he was already experiencing. Because of this, I do think Tesco could have handled things better in respect of this part of his complaint.

- Mr D also complained that Tesco incorrectly registered four hard searches on his credit report. However, Tesco has said they only registered one. Mr D has provided us with a copy of his credit report, and from what I've seen, I can only see two searches. And of those two searches, it appears that only one of them is a hard search. Given it's not disputed Mr D did apply for a loan, it isn't unusual for a hard search to be reported to credit reference agencies. So, I won't be asking Tesco to remove that search. Soft searches shouldn't negatively impact Mr D's credit score, so I'm not persuaded the searches that are detailed on Mr D's credit report are unfair. I'm aware Mr D has said that there were previously another two searches from Tesco showing on his credit report. I've not seen enough evidence from either party to make a finding on what was or wasn't showing before this complaint came to our service. But as I've not seen enough evidence to demonstrate any detriment from what has been recorded on the credit report – particularly given Mr D was able to get a loan elsewhere, I can't fairly ask Tesco to do anything further regarding what is being reported to credit reference agencies.
- While I'm persuaded Tesco are reporting accurate information, I do think Tesco could have handled things better when Mr D shared his concerns about his credit report. It was clear that Mr D takes his credit score seriously and checks it frequently. He also found the situation very distressing, and the advisers who spoke to Mr D ought to have been aware of that. So, it was disappointing to hear one of their advisers saying they couldn't comment on the matter. They also didn't take sufficient steps to reassure Mr D they were taking his concerns seriously – or empathised with his concerns.
- Given the above, I consider Tesco should pay Mr D £100 in recognition of the distress their mistakes caused. I don't think a higher reward is warranted in this case because Tesco issued their final response to Mr D's complaint just under two weeks after he raised his complaint. While I appreciate Mr D has found this matter distressing, and disagreed with Tesco's final response, I can't ignore the fact they took steps to resolve his complaint relatively quickly.

For the reasons explained above, I'm upholding Mr D's complaint.

My final decision

My final decision is that I'm upholding Mr D's complaint about Tesco Personal Finance PLC.

To put things right, Tesco Personal Finance PLC should pay Mr D £100 in recognition of the distress and inconvenience their mistakes caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 December 2023.

Sarrah Turay
Ombudsman