

The complaint

Mr M complains that Tesco Personal Finance PLC trading as Tesco Bank lent irresponsibly when it approved a credit card application he made.

What happened

In November 2022 Mr M applied for a credit card with Tesco Bank. In his application, Mr M confirmed he is a homeowner and employed full time with an income of £31,000. Tesco Bank says it carried out a credit search and found evidence of four searches against his name in the previous six months.

Tesco Bank found a default for £3,100 that was 41 months old at the time of application. The credit file information showed Mr M owed £1,686 in loans and £2,225 towards credit cards as well as a mortgage. Tesco Bank used a monthly credit commitment cost of £586 for Mr M's mortgage and £129 for his other debts.

Tesco Bank says Mr M was applying for a Foundation Credit Builder credit card. Tesco Bank reviewed Mr M's application and approved a credit card with a limit of £250. Mr M accepted the credit agreement and went on to use the credit card.

Earlier this year, Mr M complained that Tesco Bank had lent irresponsibly when it approved his credit card application. Mr M said his credit file would've showed he was in financial difficulties when he applied and that Tesco Bank had failed to complete reasonable due diligence. Tesco Bank didn't uphold Mr M's complaint and didn't agree it had lent irresponsibly.

An investigator at this service reviewed Mr M's complaint. They weren't persuaded that Tesco Bank had lent irresponsibly and didn't uphold Mr M's case. Mr M asked to appeal so his complaint has been passed to me to make a 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've taken our approach into account when considering what's fair and reasonable in the circumstances of Mr M's complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it should ensure the checks are borrower focused and proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

In this case, when Mr M applied to Tesco Bank he provided information about his personal circumstances and finances. I can see the application records Mr M's employment and

income as well as his residential status and mortgage payments. Tesco Bank's application data shows it also applied a regular outgoings figure to assess whether Mr M was able to sustainably manage payments in addition to his other commitments.

Mr M's told us that Tesco Bank failed to take the contents of his credit file into account, including the number of searches that were carried out. But the credit report Tesco Bank obtained included the number of hard credit searches recorded for Mr M. So I'm satisfied that information was considered when assessing his application. In addition, Tesco Bank found Mr M had a default that was over three years old at the time of application. No other adverse information was found. And I can see Tesco Bank factored Mr M's regular credit commitments that were found on his credit file into account when assessing his application. I'm satisfied Tesco Bank was aware of the information contained on Mr M's credit file including how much he owed.

I think it's fair to note that the credit card application was approved with a limit of £250 which is reasonably modest. In my view, Tesco Bank had a reasonable expectation that the information Mr M provided in his application was correct. And I'm satisfied Tesco Bank completed proportionate checks before approving Mr M's credit card with a £250 limit. Given the amount and type of credit Mr M was applying for, I'm satisfied reasonable checks were completed to show whether Mr M was able to sustainably maintain repayments. Having considered all the available information, I haven't been persuaded that Tesco Bank lent irresponsibly.

Mr M also raised several points concerning how his credit card had been administered by Tesco Bank and the charges and fees he incurred. Like the investigator, I haven't seen anything that shows charges or fees have been incorrectly applied or that Tesco Bank provided misleading or confusing information about them in its credit agreement. Mr M raised concerns about a delay in transactions appearing on his account and the time taken to discuss this with Tesco Bank.

Tesco Bank accepted some of the service provided wasn't up to standard and paid him £75 for the distress and inconvenience caused. I'm satisfied that Tesco Bank has already agreed a settlement that fairly reflects Mr M's experience so I'm not telling it to do anything else.

I'm sorry to disappoint Mr M but as I haven't found that Tesco Bank lent irresponsibly, and I'm satisfied it's already agreed a settlement that is fair and reasonable in all the circumstances I'm not telling it to take any further action.

My final decision

My decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 November 2023.

Marco Manente
Ombudsman