

Complaint

Mr T complains that Tesco Personal Finance PLC (trading as “Tesco Bank”) irresponsibly lent to him.

Background

Tesco Bank provided Mr T with a loan for £1,500.00 in August 2022. This loan was due to be repaid in 36 monthly instalments of £54.50.

One of our investigators reviewed what Mr T and Tesco Bank had told us. And he eventually reached the conclusion that Tesco Bank hadn’t done anything wrong or treated Mr T unfairly. So he didn’t recommend that Mr T’s complaint be upheld. Mr T disagreed and asked for an ombudsman to look at his complaint.

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 carefully considered everything, I’ve decided not to uphold Mr T’s complaint. I’ll explain why in a little more detail.

Tesco Bank needed to make sure that 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 T could afford to repay before providing this loan.

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 provided Mr T with a loan for £1,500.00 in August 2022. This loan was due to be repaid in 36 instalments of just over £50. Tesco Bank says it agreed to Mr T’s application after he provided details of his monthly income and some information on his expenditure.

It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr T could afford to make the repayments he was committing to. On the other hand, Mr T has said he couldn’t afford the payments to this loan and that he was on a low income. I’ve carefully thought about what Mr T and Tesco Bank have said.

The first thing for me to say is that I do accept that Mr T was on and had declared a low monthly income. However, Tesco Bank has provided a record of the results of its credit

searches. Tesco Bank searches appear to show that Mr T had a low amount of existing credit. And while I appreciate that Mr T believes that he already owed too much I don't think that amounts shown on the credit search were excessive.

Furthermore, Mr T declared that he was living at home with parents and that he therefore had low monthly outgoings. And, in circumstances, where the monthly payments to this loan were extremely low, I don't think that it was unreasonable for Tesco Bank to conclude that monthly payments were affordable as all of the information gathered suggested that this was the case even though Mr T was on a low income.

I accept that Mr T's actual circumstances may not have been fully reflected either in the information he provided, or the information Tesco Bank obtained. For example, I know that there has been some discussion about Mr T's discretionary spending. It's possible – but by no means certain - that if Tesco Bank had been aware of this at the time of its lending decision it may have reached a different answer.

However, the key thing here is that Tesco Bank was providing a loan with extremely low monthly payments. And in these circumstances, I wouldn't have expected it to have found out much if anything about Mr T's discretionary spending.

Given the information obtained suggested the loans were affordable and the lack of obvious inconsistencies, I don't think Tesco Bank needed to do anything further. I certainly don't think that it needed to obtain information such as bank statements for a loan which had monthly payments of the amount of Mr T's loan. As this is the case, I don't think that Tesco Bank did anything wrong when deciding to lend to Mr T - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Tesco Bank treated Mr T unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr T's complaint. I appreciate this will be very disappointing for Mr T. But I hope that Mr T will understand the reasons for my final 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 T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 3 May 2024.

Jeshen Narayanan
Ombudsman