



The complaint

Ms E is unhappy that Tesco Personal Finance PLC sold her account to a debt purchasing company, despite knowing that Ms E has a long-term health condition.

What happened

Ms E applied for a personal loan with Tesco for £12,000. The loan had a term of five years with monthly repayments of approximately £225.00. The loan commenced in February 2014.

Ms E suffers from a long-term chronic pain condition which affects her ability to work. In April 2015 Ms E's loan account fell into arrears because she was no longer able to make the agreed monthly repayments. From April 2015 Ms E began making payments of £1 per month toward the account.

In February 2019 Ms E requested that Tesco write off the loan balance as her condition was now such that it was highly unlikely that she would be able to ever pay off the outstanding balance. Ms E also sent in a doctor's note and medical documents at this time to corroborate her position.

Tesco reviewed the documents that Ms E sent, but because the documents were dated from 2015, Tesco didn't feel that they provided an up to date diagnosis of Ms E's condition. Also, while the doctor's note was from 2019, Tesco didn't feel that it gave enough detail as to Ms E's current condition. So, Tesco asked Ms E to provide similar medical documents to the ones she had provided but with a more recent date, specifically no older than six months.

Tesco didn't receive any updated medical documents from Ms E. In January 2020, Tesco sold Ms E's account to a debt purchasing company. Ms E was unhappy that Tesco had taken this course of action, and so she made a complaint.

Tesco looked at Ms E's complaint, but they didn't feel that they had acted unfairly or inappropriately toward Ms E, so they didn't uphold the complaint.

Ms E wasn't satisfied with Tesco's response, so she referred her complaint to this service. One of our investigators looked at this complaint, but they felt that Tesco were under no obligation to write off the debt as Ms E was requesting, and also that they were entitled to sell the debt as this was a provision included within the terms and conditions of the loan. So, they didn't uphold the complaint either.

Ms E remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

It's clear that Ms E feels strongly about her complaint here, and I realise the severe effects that a chronic pain condition can have. However, having completed my review, I find that I have reached the same outcome as our investigator, and for the same reasons.

It's important to begin here by establishing that a business is under no obligation to write off a debt in circumstances where a customer is unable to meet the obligations of that loan because of financial hardship brought about by a condition of chronic pain. That isn't to say that writing off the debt isn't an option that the business can consider, but rather that it is entirely at the discretion of that business whether they choose to exercise that option or not.

In addition, when a customer has borrowed money and had the benefit of that money, as Ms E has here, it's nearly always going to be the case that it's fair that the customer pays that money back. I understand that Ms E feels that her condition is such that her ever being able to pay the debt back is highly unlikely, but this in and of itself doesn't invalidate Tesco seeking to recover as much of the outstanding loan amount as is reasonable for them to do so.

In this instance, Tesco have chosen to exercise their right to sell the outstanding balance of this loan to a debt purchasing company. That Tesco have a right to sell the debt in this manner is stipulated in the terms and conditions of the loan.

The Standards of Lending Practice do provide guidance as to when a debt should or shouldn't be sold, and while a chronic pain condition is not covered specifically within these guidelines, the general thrust of these guidelines suggests that careful consideration should be given before selling a debt to a debt purchasing company in circumstances such as these.

However, I think that Tesco have done that here – they have confirmed to both Ms E and this service that they wouldn't have sold the debt unless they were certain that Ms E's position wouldn't worsen as a result of the sale.

So, while I understand that Ms E is unhappy that Tesco sold the debt, there doesn't appear to have been any material detrimental impact to Ms E in Tesco doing so. Generally speaking, debt purchasing companies can offer their customers a greater amount of flexibility in how they repay the outstanding balance or with regard to any potential future settlement of the debt.

Ultimately, Tesco were under no obligation to write off the debt here. And, while Ms E was making token payments of £1 per month toward the loan, Tesco were also under no obligation to maintain this payment arrangement indefinitely.

So, it's difficult for me to conclude that Ms E has been treated unfairly or unreasonably by Tesco here. I understand that this won't be the outcome that Ms E had hoped for, but it follows that I won't be upholding this complaint or asking Tesco to take any further action at this time..

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E to accept or reject my decision before 18 March 2021.

Paul Cooper

Ombudsman