



## **The complaint**

Miss W complained that Tesco Personal Finance PLC trading as Tesco Bank (Tesco) passed her debt to a debt collection agency declined her offer of a repayment plan

## **What happened**

Miss W had a Tesco credit card. The last payment to it was made in December 2019. In April 2020, Tesco sent her a Notice of Default. In May 2020, Tesco sent her a letter terminating the card and the debt was passed to a debt collection agency. In August 2020, Miss W contacted Tesco and offered to make an immediate payment of £100, followed by monthly payments of £200. She asked for the default to be removed from her credit file and for the debt to be taken back from the debt collection agency. Tesco said that she must deal with the debt collection agency and the default had to remain on her credit file.

Miss W complained to Tesco. She said that she had gone through a major trauma and therefore hadn't made any payments. She had blocked Tesco's number on her phone because their calls were causing her stress. She said she would repay Tesco within three years. She didn't think it was fair that the debt had been passed to a debt collection agency and asked that it was transferred back to Tesco. And she wanted the default removed from her credit file.

Tesco replied in September 2020. They said that the last payment received was in December 2019. They had tried to contact Miss W by phone, text and letters throughout 2020. But there had been no response from Miss W until her call in August 2020. If they'd been able to speak to her, they could have helped her. So, they had defaulted and terminated her account. Miss W's credit file had been updated and this could not be removed. The debt had been passed to a debt collection agency. Miss W should deal with them to make payments.

Miss W brought her complaint to this service. Our investigator replied in December 2020. She said that Tesco had sent monthly statements and letters saying that payments were overdue. They had offered to discuss her financial position. In March 2020, Tesco wrote to Miss W and said that she may be issued with a default letter if she failed to make payments. In April 2020, the default notice was issued and in May 2020, the card account was terminated, and the debt passed to debt collectors. If Miss W had been able to contact Tesco about her problems, they may have been able to help. But Tesco had followed the rules for recovering the debt and hadn't done anything wrong.

Miss W asked that her complaint be looked at by an ombudsman.

## **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.

Miss W says that she suffered a major trauma and that led to the problems with the Tesco credit card. I am sorry to hear of this and I've taken it into account when considering the circumstances of this complaint.

But here, Tesco were faced with a debt and Miss W stopped making any payments in December 2019. Tesco didn't know what was going on with Miss W at this point, so it's fair that they were trying to get in touch with her to find out why she wasn't making payments. Tesco made her aware of the situation when they sent statements showing the arrears and amounts due.

In March and May 2020, they sent notices of arrears. In March 2020, they sent a pre-default letter. In April 2020 they sent a notice of default. In May 2020 they advised that the account was terminated. I have reviewed these, and they offer support and help if Miss W would get in touch. I can see that Miss W was also sent the FCA's information sheets on arrears and default - and how to deal with them. Tesco were clear that if Miss W took no action, then the default would be put on her credit file and the debt passed to a debt collection agency.

I realise that the situation as it stands with the sale of the debt and the default will have had an impact on Miss W. But, ultimately Tesco were following the correct procedure here for dealing with customers in this position. They acted within the rules for dealing with debts in arrears. The relevant guidance from the Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. So the fact Tesco did this here is fair and it remains an accurate reflection of what happened to the account.

Miss W has explained to Tesco why she wants it to now buy the debt back from the agent it is currently with and to remove the default. She offered a payment too. But by that point, Tesco had taken this action so they advised that Miss W contacted the company the debt was now with. It's worth saying that once a debt has been sold in this way, interest and charges will usually be suspended, allowing a customer to repay what they owe without the balance increasing, which seems like a positive thing for Miss W here – even if she doesn't currently see it that way.

I think that's a fair response here, as Tesco acted properly and fairly in dealing with Miss W's debt. I am also satisfied that Tesco did all it could to contact Miss W to try and help her too. It is just unfortunate that Miss W couldn't speak to Tesco about her personal situation earlier. So, it wouldn't be fair to ask Tesco to do anymore here. I'd urge Miss W to speak to the company that is currently trying to recover the debt to come to an agreeable way forward here. These companies often tend to be more flexible with what they're willing to accept in terms of repayment, which seems like it could help Miss W here.

**My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 11 February 2021.

Martin Lord  
**Ombudsman**