

## **The complaint**

Mrs L is unhappy that Tesco Personal Finance PLC have reported a missed payment to her credit file.

## **What happened**

Mrs L had a credit account with Tesco. In June 2021, Mrs L made an electronic payment of approximately £1,500 to the account. Mrs L had received a new credit card for the account shortly beforehand and so included the new credit card reference details in the payment.

Mrs L then travelled to visit family. During her visit she attempted to pay for a transaction on the credit card, but her card was declined. Mrs L contacted Tesco and was told that her June payment had been missed. Upon returning home, Mrs L attempted to make the payment again using the new credit card reference details but found that she was unable to do so.

Mrs L contacted Tesco again and went through the payment details that she was inputting, but the reason the payment wasn't being successful couldn't be determined. Tesco could see that Mrs L had attempted to make a payment in June, so they refunded the fees and interest that had been charged to Mrs L's account as a result of her not being able to make that payment, and they took the payment that Mrs L was trying to make over the telephone. Mrs L and Tesco also set up a direct debit for future monthly payments at that time.

Shortly afterwards, Mrs L noticed that Tesco had reported a late payment on her credit file. Mrs L wasn't happy about this, so she raised a complaint. Tesco looked at Mrs L's complaint and concluded that the reason Mrs L's attempted payment had failed was because Mrs L was adding spaces to the reference number, rather than inputting the reference number without spaces as was required by their systems.

Tesco noted that they'd already reimbursed the fees and interest to Mrs L's account, but they also confirmed that they had a responsibility to make accurate reports to the credit reference agencies, and as such they didn't feel that they could remove the late payment marker from Mrs L's credit file as she would like. However, Tesco did make a further payment of £40 to Mrs L as compensation for their not making Mrs L aware that her credit file would be affected when they first could have done.

Mrs L wasn't satisfied with Tesco's response, so she referred her complaint to this service. One of our investigators looked at this complaint. They appreciated why Tesco had taken the stance that they had, but they didn't feel that it was fair that Mrs L should incur adverse credit reporting because of what had happened here, given that she had made a payment to Tesco that was significantly larger than the minimum monthly payment that was required on the account, and that the only reason the payment had failed was because of some spaces added to the reference number. So, they recommended that this complaint be upheld in Mrs L's favour and that Tesco should remove the late payment marker from Mrs L's credit file.

Tesco didn't agree with the recommendation put forwards by our investigator, 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 not in dispute that Mrs L attempted to make a payment of approximately £1,500 to her account in June 2021, at a time when the minimum monthly payment required on her account was roughly £25. It's also not in dispute that the only reason the payment failed is because Mrs L inputted the reference number of her new credit card in a slightly different format to that which was required by Tesco.

It therefore seems clear to me that it isn't fair that Mrs L should incur a late payment marker on her credit file in these circumstances.

One reason I say this is because such a marker could very possibly be interpreted by another credit provider with whom Mrs L might make a future credit application as being an indicator that Mrs L might not have been able to have afforded her credit obligation to Tesco in June 2021, which obviously wasn't the case. And while Tesco may argue that a credit file demonstrates how well an individual manages their credit commitments, rather than whether they can afford them, I don't feel that Mrs L has demonstrated a mismanagement of her credit commitments here. And I also don't feel that Tesco's inability to recognise a reference number inputted correctly, but with spaces, should detrimentally affect Mrs L's credit file.

While Tesco are correct in stating that they have a responsibility to make accurate reports to the credit reference agencies, it can be the case that a steadfast commitment to such a requirement can lead to an unfair outcome in certain circumstances. And I feel that this is what's happened in this instance.

Ultimately, I'm satisfied that Mrs L only incurred the adverse credit file reporting because of a technical issue. I'm also satisfied that Mrs L's attempts to make a significantly larger payment than the minimum monthly payment required, before the date that June 2021 monthly payment needed to be made, along with Mrs L's historically good payment record on the account, demonstrates both good affordability and good account management by Mrs L. And I don't feel it can be considered fair that Mrs L should incur detrimental adverse credit reporting in these circumstances.

It therefore follows that I'll be upholding this complaint in Mrs L's favour and instructing Tesco to remove the adverse reporting from Mrs L's credit file as soon as possible. I trust, given all that I've explained here, that Tesco will understand why I've made the final decision that I have.

## **Putting things right**

Tesco must remove the adverse credit reporting for the month of June 2021 from Mrs L's credit file at the earlier opportunity.

## **My final decision**

My final decision is that I uphold this complaint against Tesco Personal Finance PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 26 May 2022.

Paul Cooper  
**Ombudsman**