

The complaint

Ms J complains that Tesco Personal Finance Plc removed her preferential interest rate and charged her interest when they shouldn't have and recorded late payments when they shouldn't have which affected her credit rating.

What happened

Ms J had a credit card with Tesco which was on a 0% interest rate.

Following a late payment in July 2019, the 0% interest rate was revoked, but Ms J rang up and explained the oversight, and Tesco agreed to reinstate the 0% rate.

However, Tesco continued to charge interest, and Ms J made phone calls each month to explain. She made a complaint which was upheld, and she received £75 compensation in November 2020.

Despite this, Tesco continued to charge interest, and in May 2021 Ms J asked for the complaint to be reopened as it was affecting her credit rating. The complaint was upheld again and she received a further £200 compensation and Tesco agreed to remove all negative credit markers from her credit file.

However, Ms J was still unhappy with this outcome as her credit rating was negatively impacted and was preventing her from being able to get a good mortgage deal, and so she brought her complaint to us.

Our investigator upheld Ms J's complaint and awarded a further £150, totalling £425 compensation. Tesco agreed to this, but Ms J has asked for an Ombudsman's decision and so this has come to me to review.

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.

The facts in this case aren't in dispute. Tesco accept that they have made an error which has impacted Ms J and have agreed to pay a total of £425 for distress and inconvenience. Ms J initially made a late payment in July 2019 but following contacting Tesco to explain and clear the arrears, Tesco agreed to reinstate the 0% interest rate, refund the late fee and interest, and set up a direct debit for the minimum payment. Unfortunately, the direct debit wasn't set up and Ms J had a further missed payment in August 2019.

Ms J rang Tesco in August, made a manual payment, and was refunded the late fee and interest and told the 0% rate would be reinstated.

In September Ms J rang again after interest was applied to the account and expressed concern about adverse credit reporting. The agent confirmed that the 0% rate would be

reinstated, the late payment fee refunded, and no adverse credit information would be reported.

However, this carried on until November when Ms J made a formal complaint. It was upheld and she received £75 compensation. But the issue was still not resolved, and over the next few months, Ms J received further letters advising her that the 0% rate had been removed and her credit limit reduced. She contacted Tesco several times to raise these concerns and also to raise concerns about adverse credit reporting.

In May 2021 Ms J raised a further formal complaint to include the issue of the adverse credit reporting.

I've seen the case notes, which show that in following this complaint in May 2020 the complaint handler asked the credit reference team to make contact with the credit reference agencies to remove any adverse information. They did this and thought it had been done, but unfortunately, they later discovered that the request had failed to upload. They were of the impression that the late payment markers had been removed for November 2019 and March 2020. The complaint handler also reinstated the 0% rate and offered a further £200 to compensate for the further errors, the time taken, and the impact on the credit file. All interest incorrectly charged was also removed.

In July Ms J noted that her credit report was still not corrected and contacted the credit reference agency herself and they added a note of correction. In August 2020 Ms J contacted us as she was still unhappy that the records had not been updated. Tesco's notes show that in November they contacted the credit reference agency who confirmed that they didn't receive the amendment request sent in May. Tesco sent it again as an urgent request and the late payment markers were removed on 27 November 2020. So far Ms J has been paid £275 in respect of this distress and inconvenience and the investigator recommended a further £150, bringing it to £425.

I have thought about whether this is a fair amount to reflect the distress and inconvenience caused, in the light of the above.

I can understand how frustrating this whole episode has been for Ms J. The repeated failures by Tesco to follow up on the promises they made in relation to the 0% interest rate has caused inconvenience and distress, which was exacerbated by the impact on her credit file, which Ms J says affected her ability to get a mortgage in early 2020.

So I have taken into account that this was a monthly occurring problem over a period of 11 months, between July 2019 and May 2020, requiring repeated phone calls, and that despite it being dealt with by the complaints team twice, it wasn't fully resolved until six months later in November 2020. However, I'm satisfied that Tesco had sent the right information to the credit reference agencies, but they hadn't received it. And so, I don't think the error lay with Tesco after May 2020.

I do think that Tesco missed opportunities to explain to Ms J why the credit file hadn't been updated when they found out that the credit file had failed to upload, but ultimately I don't think that was Tesco's fault.

In view of this and taking into account our approach to awards for distress and inconvenience, I think that £425 is a fair overall award in these circumstances.

Putting things right

In view of the reasoning I have given above, I agree with the investigator's recommendation that Tesco should pay Ms J an additional £150, bringing her total award to £425.

My final decision

My decision is that I am upholding Ms J's complaint and directing Tesco Personal Finance to put things right as I have detailed above.

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

Joanne Ward
Ombudsman