

## The complaint

Miss I complains that Tesco Personal Finance PLC trading as Tesco Bank has unfairly recorded adverse information on her credit file.

## What happened

Miss I had a personal loan with Tesco which she took out in 2016. In 2018 she contacted Tesco to tell it about some mental health issues and provided some details about her personal circumstances.

In October 2019 she missed a payment to her loan. The following month she contacted Tesco and explained that she had been out of work for over a year and using her savings to fund the loan payments, which had now run out. Tesco discussed her situation with her and saw that her difficulties were long term. So it agreed a payment plan of £1 per month for six months but explained that this would result in a default being applied to her credit file.

In December 2019, Tesco applied a default to Miss I's credit file and sent her associated letters about this. Miss I continued to pay £1 a month until March 2020 when she contacted Tesco to request an extension to this plan. She told Tesco that there had been no changes to her circumstances and wanted to extend her plan for three months and that she wanted to avoid a default. But when Miss I found that she had already been defaulted, she complained to Tesco.

Tesco responded to Miss I saying that it felt it had acted fairly. It said it had agreed the plan with Miss I and clearly explained what would happen. Miss I disagreed and referred her complaint to this service.

Our investigator didn't feel that Tesco had acted fairly. They thought the letters that followed the conversation about the plan would have been confusing and that Tesco acted too soon in defaulting the account here, bearing in mind what the guidance about this says. They felt that Tesco should remove the default and only report an arrangement to pay between November 2019 and April 2020, a missed payment of May 2020 and the account as being settled in June 2020. They said that Tesco should also pay £200 to compensate Miss I for the impact this had.

Miss I agreed but Tesco didn't and so the complaint was passed to me. I issued a provisional decision laying out my thoughts upon considering the complaint. I said:

*It's clear that this situation will have been upsetting for Miss I and that having a default recorded on her credit file will have a significant impact on her moving forward. What I have to consider is whether it was fair and reasonable for Tesco to record that in the circumstances here. Having done so, I think it is.*

*I listened to the call from when Miss I contacted Tesco in November 2019. During this, Miss I confirms that she has an illness which means that she has been out of work for over a year. She says she'd been using her savings to fund her loan payments until now, but her savings had run out. Miss I confirmed she didn't have any money to make a payment now and said*

her difficulties were long term and she'd be unlikely to return to work in the future. She also mentioned she was behind on her mortgage payments, so she may have her house taken off her.

From listening to the conversation, it's clear why Tesco viewed her as being in severe financial difficulties. Miss I told Tesco that her financial position was not only long term, but so serious that she might lose her house – so it was important that Tesco offered proportionate help as quickly as it could.

Tesco did explore Miss I's circumstances with her. It asked questions around what it could do for her and about her income and expenditure. But after asking, Miss I's answers showed that any payment would be unaffordable, where she was spending more than she had coming in each month. Tesco offered 30 days' breathing space for Miss I, but Miss I said that £1 per month would be ok for her to pay and confirmed she wanted to pay that. Tesco clearly explained that this plan would result in a default and that while strongly worded letters would be sent, they didn't need any responses and were only sent to facilitate the plan they'd agreed.

So I think Tesco acted fairly and proportionately in that call. It was clear about what was being agreed and the consequences of this. For me to say that Tesco should now remove the default, I'd need to be able to have some reason to say it could, or should, have done things differently here. But I can't see that. The information Miss I gave it was that she couldn't afford the loan moving forward in the long term. Tesco said that it could accept her payment of £1 a month, but only if it defaulted the account and it explained what this would entail.

Tesco did default the account sooner than the relevant guidance here generally suggests – but as Tesco has said, that is guidance and a business can act sooner than that when it's in a customer's interest. At the time, Tesco explained that by taking this step when it did, it would be able to give Miss I what she wanted – which was the space to only make a £1 payment for six months in light of her circumstances. So while it may have defaulted the account quickly – that was a necessary and proportionate step to take to ensure that Tesco could facilitate the plan for her as a matter of urgency.

I've also carefully thought about what Miss I has said about her medical condition and mental health. Tesco was told about this during the call and as far back as 2018. Tesco clearly took this into account when speaking to Miss I, but during the call here she gave it a lucid and clear picture of her finances. I also note that Tesco said on several occasions that it could give her 30 days of breathing space and that it didn't want to accept a payment where one wasn't affordable. But Miss I herself confirmed that she wanted to pay £1 a month.

In the call, Miss I sounded honest and lucid and I can't see any reason that Tesco should have thought twice about whether she was able to understand what was being discussed. Some of what Miss I said was slightly inconsistent – and Tesco did try to clarify this, but overall, those were small inconsistencies about what she had told Tesco in the past or whether she was paying mortgage or rent (which Miss I eventually confirmed was a mortgage). What came through clearly in the call was the severity of Miss I's financial difficulties at the time of the conversation – which Tesco tried to help her with. In terms of the follow up letters, I accept that without context, these may have been confusing for Miss I. But I can't put to one side the fact that Tesco explained that these letters would be sent and told Miss I why she would receive them. I don't think that Tesco can be held responsible for any confusion the letters may have caused here, where they explained the situation with them in the call before they were sent.

*In any event, by the time Miss I called in March 2020 - and Tesco knew she was confused or perhaps hadn't remembered the nature of the plan – the account had already been defaulted and the plan had been running for a few months, so Tesco couldn't have done more at this time.*

*What seems to have happened here is that a few months after the plan was agreed, Miss I seems to have come into some money, or perhaps discovered that she had some savings which she could use to repay the debt in full. But Tesco wasn't aware of that in the call when it agreed to help her. In fact – Miss I told Tesco that she didn't have any savings left to make payments. Miss I has provided some statements, but nothing which shows that she had this money available at the time this plan was agreed – which makes me think that what she told Tesco in November 2019 was more likely than not accurate.*

*So overall here, I think Tesco has acted fairly, even if I realise that Miss I won't see this the same way. It gave her tailored, proportionate help at a time that she needed this and explained in full what this help would entail and what the consequences would be. That help did result in adverse information being recorded on her credit file – but Tesco explained that to her at the time.*

*Miss I did later pay the debt off, but I don't think that now means it should undo what it did in the past, when that was agreed by both parties as the right thing to do at the time. Ultimately what Tesco recorded on Miss I's credit file reflects what was agreed at the time and what was put in place. So it follows that I think it's fair that it continues to report this.*

Tesco agreed with my provisional decision, but Miss I didn't. She said, in summary, that I hadn't taken account of the severity of her mental illness, or the impact this would have had on her at the time. She also said that she felt that Tesco hadn't taken account of this either. She then provided account statements to show that she did indeed have the savings available to have repaid the debt when she spoke to Tesco about this and the plan was agreed.

So I now need to make 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.

I'll start by thanking Miss I for making such a detailed response to my provisional decision. The information she provided was very helpful and I've carefully considered what she's said about her position at the time and about her mental illness. I've used the term 'mental illness' here to reflect the terms Miss I herself uses to refer to this. I also want to assure her that I am aware of the nature of her condition, its severity and its impact on her from considering the information she has provided.

I've also looked at the statements Miss I has sent us. Those do show that she had savings at the time of the November 2019 call with Tesco. I told Tesco about this and asked whether, in light of this, it'd be prepared to now remove the default, but it declined.

This is quite a finely balanced issue to decide on. Ultimately my role here is to be impartial – that is, to be objective and to be fair to both parties. The starting point for that is whether Tesco acted unfairly in doing what it did during the November 2019 call. But I can't conclude that it did, for the reasons I gave in my provisional decision.

Tesco was previously aware of Miss I's condition from her correspondence with it and she

restated what the nature of her mental illness was during the call. So it's not that Tesco didn't take this into account – in my view it did. But Tesco was placed in a difficult position during this call. On the one hand it was aware of Miss I's condition, on the other it was told that her financial difficulties were so severe that she may lose her home. There was an issue as to whether she was paying a mortgage or paying rent – but regardless of which was true, the implication here was that Miss I's situation was one of severe financial difficulties. In the circumstances, I can see why Tesco reacted as it did and agreed to the plan, as Miss I wanted. Doing so was, in my view, a proportionate response to what Miss I told it.

I also note that Tesco suggested that Miss I took some breathing space and said she shouldn't just agree to a plan if she couldn't afford it. But Miss I confirmed that she wanted the plan put in place. So it's difficult for me to see what Tesco should, or could, have done differently here. It took into account what Miss I said about her condition and financial position at the time and agreed a plan with her that seemed to help with that. And it fully explained that this would result in a default here.

I don't think that more questioning would have led to a different outcome here and in my view, the only other thing it could have done here in light of what Miss I told it would be to have given her some time to consider the situation. But Tesco did suggest this, although Miss I confirmed that she wanted the plan. She told it that she had no savings and while that now doesn't seem to have been accurate, I can't see how Tesco could have been aware of that at the time.

I realise that it's the nature of Miss I's condition that she doesn't know why she said this, because of what would have been an altered thought process at the time. I understand this is a reason she may have told Tesco what she did. But, even by the time of Miss I's call to Tesco in March 2020, she was aware that there was a plan and wanted to extend it if possible. Tesco asked about her mental illness during this call and Miss I said that she was feeling much better.

So it would have looked to Tesco that it had agreed the right thing in November 2019 - given that she mentioned extending it some three months or so later. It seems like it was only when the default was mentioned again that Miss I began to suggest that she could afford to pay the loan and began questioning the situation. But by this point, Tesco had done what it said it would. It had put in place the plan and as a result of that, the account had been defaulted. It does seem like Miss I had forgotten, or misunderstood the full discussion that happened in November 2019 and I realise that her mental illness will likely have played a part in that. But it still remains that Tesco fully and clearly explained things to Miss I and treated her, in my view, proportionately and sympathetically.

In order for me to say that Tesco has acted unfairly here, I'd need to conclude that it treated Miss I unreasonably in some way. But I don't think it did. In terms of what Miss I told it, there was no 'perfect solution' – but Tesco took appropriate and proportionate action to respond to what Miss I told it. I think recording the default here is an accurate record of what was agreed and what happened. I know the impact that this will have on Miss I – but I can't see any reason that I can fairly tell Tesco to remove it or to pay any compensation.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 27 May 2022.

James Staples  
**Ombudsman**