

The complaint

Mr W complains Tesco Personal Finance PLC trading as Tesco Bank unfairly recorded adverse information on his credit file.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. Instead, I will focus on the reasons for my 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.

Mr W had two credit card accounts with Tesco Bank. To maintain the accounts, he needed to make at least minimum payments by certain dates each month. Missed payments would be reflected on his credit file.

In 2020 Mr W's income was impacted by the pandemic. Tesco Bank agreed to Covid-related payment deferrals for March to August 2020. This meant Mr W didn't need to make any payments towards the accounts and his credit file wouldn't be adversely impacted. I find Tesco Bank acted fairly as Mr W asked for support and he got it. Tesco Bank did apply interest during this period, but it could do so under the relevant rules.

Mr W made some payments following the end of the payment deferrals, but by late 2020 he needed further support. Tesco Bank went on to give Mr W nine months where no interest was charged to either account (saving him about £100 a month), and he could pay just £20 a month to each account (significantly less than the contractual payments). I find Tesco Bank treated Mr W fairly as again, he asked for support, and he got it.

Mr W is concerned with adverse information recorded on his credit file during the nine-month period. Tesco Bank has shown it recorded that Mr W was in arrears and in an arrangement during the nine-month period. Mr W may find that unfair, but it's an accurate reflection of the way the account was managed. Mr W had already received the maximum number of Covid-related payment deferral months. The alternative to what Tesco Bank did, therefore, would have been for it to consider Mr W in default and close the accounts, which given Mr W's concern about his credit file I'm satisfied he wouldn't have wanted. It follows I'm not going to require Tesco Bank to change what it recorded.

At the end of the nine-month period Tesco Bank issued default notices. I don't find this unreasonable given Mr W hadn't made contractual payments sustainably for over a year. To satisfy the default notices Mr W needed to bring the accounts back on track by paying off the accumulated arrears. I don't find this unreasonable in light of the arrears being built up where no interest was being charged, meaning they were made up solely of the difference between a monthly expectation of 1% of the balance net of Mr W's £20 monthly payments.

Mr W satisfied the default notices. The accounts therefore didn't close, and no defaults were recorded on Mr W's credit file. Tesco Bank, however, due to an administrative error, still sent Mr W termination letters. When Mr W made Tesco Bank aware of this it recognised its error, apologised and paid Mr W £75 compensation. The investigator didn't think £75 was quite enough given the upset, anger, confusion and frustration Mr W says the letters caused him. She recommended Tesco Bank increase its offer to £125. I agree £125 compensation more fairly reflects the impact Tesco Bank's error had on Mr W.

My final decision

I uphold this complaint and require Tesco Personal Finance PLC trading as Tesco Bank to pay Mr W £125 compensation, in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 October 2022.

James Langford
Ombudsman