

The complaint

Mr K complains about information provided by Tesco Personal Finance PLC when he called to talk about arrears on his loan.

What happened

Mr K had a loan with Tesco. In September 2021 Mr K called Tesco after receiving a letter concerning arrears on his loan. At the time, the arrears balance was around £1,000.

Mr K told Tesco's call handler he was only working part time and that his income had been affected by the pandemic. Mr K also said he'd discussed his circumstances with Step Change but found it too difficult to understand and sort out. Mr K gave details of his circumstances and explained he was only working part time.

Mr K told the call handler he was surprised at the level of arrears. The call handler explained Mr K needed to make a payment to clear the arrears or the loan would be terminated. Mr K asked for the outstanding balance and was told that, if his loan terminated, he'd owe around £13,000 - the original loan amount. Mr K became increasingly upset during his call.

The call handler referred Mr K back to Step Change and agreed to place the account on hold for 30 days.

Mr K has told us that being advised Tesco would need him to repay a balance of over £13,000 if it closed his loan caused extreme levels of distress. Mr K has provided evidence that shows he suffers with significant mental health issues, going back some years. And as a result of the information given during the call, Mr K felt he had nowhere else to turn. Mr K went on to contact his estranged mother to ask for help and considered suicide.

A short time later, Mr K's mother spoke with Tesco about his loan. The call handler asked Mr K's mother about his financial situation and general circumstances. Mr K's mother confirmed he was in arrears with utilities and priority bills and that the electricity had been cut off. Mr K's mother also explained he was only working part time and had spent a significant amount of time in hospital due to his mental health problems.

Mr K's mother asked whether, in light of Mr K's circumstances, Tesco could offer further support. The call handler explained that as the account was with "collections" the only assistance that could be offered was if the account was terminated. The call handler said that option was reliant on a lump sum being paid up front.

The call handler provided some information to Mr K's mother about how a default could impact his credit file. Mr K's mother helped him clear around £1,000 of arrears for his loan and his September 2021 payment was collected.

Mr K went on to complain to Tesco and has explained the issues raised caused serious mental health problems that led to him being hospitalised. Tesco upheld Mr K's complaint and refunded around £1,300 of payments and paid him £125 for the inconvenience caused.

An investigator at this service looked into Mr K's complaint and upheld it. They thought Tesco's call with Mr K in September 2021 had a serious impact on his mental health. The investigator asked Tesco to back date the default and increase the compensation offered to £2,500. Tesco asked to appeal and said it felt the settlement recommended was excessive. Tesco accepted it had given Mr K some incorrect information but says it quickly corrected its position. As Tesco asked to appeal, Mr K's complaint has been passed to me to make a 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 understand Tesco's view that the level of compensation recommended in Mr K's case is very high. And I understand Tesco sought to try and correct the information provided by its call handler. Whilst I agree the level of compensation recommended is high, I think that reflects the investigator's view that Tesco's error had a very serious impact on Mr K. I've independently looked at the available information. I agree with the investigator that the level of compensation should be increased.

All parties agree the call in September 2021 was poorly handled and gave Mr K incorrect information. The call handler said a balance of over £13,000 would become payable if the loan was terminated. And the call handler made the consequences of being unable to afford repayments sound very serious indeed. In my view, it was very clear during the call that Mr K was extremely upset and potentially vulnerable. Mr K appeared close to tears throughout and explained he was unable to understand information about his finances, including advice provided by Step Change. I thought the call handler's tone was cold and showed a lack of empathy. And I think the call handler missed opportunities to offer help or clearly explain the consequences of Mr K's loan being terminated. I'm satisfied the incorrect information and way his call was handled caused Mr K a significant level of distress and inconvenience.

We consider complaints on an individual basis and focus our awards on how a problem has impacted the consumer. I've focused on how Mr K was affected by his call with Tesco. And whilst I understand Tesco's view that the correct position was explained without undue delay, I think the consequences of the way Mr K's call was handled were severe. Mr K's social worker has explained that, as a result of financial stress, Mr K had stopped taking his medication as it was affecting his ability to work and ear money. They've also advised Mr K was admitted for psychiatric care in November 2021 for around a month as a result of stress caused by his finances. They've explained that Mr K's paranoia increased and he was later admitted.

Mr K has also told us about how he was affected. Mr K says he was suicidal and had to seek help. Mr K has given us details of a particularly distressing occasion when he was talked down by medical staff. Mr K has also explained he and his mother were estranged but as he felt there was no other option, he contacted her for help. I can appreciate Mr K found asking estranged family for help was particularly difficult at an already stressful time.

Mr K has told us he remained very concerned that failure to maintain payments going forward would have very serious consequences. And I think it's reasonable to say that mental health problems, like paranoia, can make a situation seem even more serious regardless of whether an apology has been made. So whilst I appreciate Tesco's view that later call handlers gave the correct information, I'm satisfied Mr K believed what he was told during his first call for a significant period and that it had a serious impact on his mental health.

I also think it's fair to say that later calls also missed opportunities to help Mr K. When Mr K's mother spoke with Tesco she gave it some important information about his circumstances. Mr K's mother explained he was in arrears with priority bills and utilities and had no electricity when she arrived. She also advised Mr K had spent a significant amount of time in hospital and that his circumstances were very difficult. The call handler ultimately said there was little Tesco could do and talked about making a lump sum payment. Ultimately, they took the step of referring Mr K's mother back to Step Change. But Mr K had already explained he was unable to work with Step Change or understand the information already provided.

That, in turn, led Mr K's mother to pay arrears on his behalf and contractual payments to begin again. But it ought to have been clear to Tesco in September 2021 that Mr K was not in a position to clear arrears or begin his monthly payments again. That's reflected in Tesco's decision to refund those payments.

Tesco's response to the investigator pointed out that Mr K had later said he was able to afford his monthly payment and didn't want details of his vulnerabilities recorded on its system. Whilst that may be the case, we now know Mr K wasn't in a position to make payments. And whilst Mr K may not have wanted his medical information recorded by Tesco, we've received confirmation from professionals working with Mr K that he was vulnerable due to mental health difficulties.

I appreciate the call handler also gave information about how defaults affect a credit file. But I think Tesco should've sought to provide a more specialist level of care for Mr K as it should've seen he was a vulnerable customer. Referring Mr K back to Step Change had the effect of delaying the account closure along with the default being recorded. So I'm going to tell Tesco to back date its default to September 2021.

Given the seriousness of the impact on Mr K, I'm upholding his complaint and increasing the award to £2,500. In my view, that figure more fairly reflects the circumstances of Mr K's complaint and the substantial level of distress and inconvenience caused.

My final decision

My decision is that I uphold Mr K's complaint and direct Tesco Personal Finance PLC to pay him a total of £2,500 (less any compensation already paid) and backdate its default to September 2021.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 July 2022.

Marco Manente
Ombudsman