

The complaint

Mr A complains that Tesco Personal Finance PLC applied adverse information to his credit file when his debt management organisation didn't make the agreed repayments. He says he did nothing wrong and wants his credit file amended.

What happened

In March 2021, Mr A applied for a Covid Payment Plan with a debt management organisation. He completed the relevant forms including a direct debit and the debt management organisation has confirmed that it received the go ahead for the payment plan and this was activated. Mr A was provided with a reference number and told that his creditors would be contacted. Payments of £320 were due to be taken each month. The debt management organisation has confirmed that due to an error, Mr A's creditors weren't contacted and Mr A nor his creditors were aware of this at the time.

Tesco Personal Finance was one of Mr A's creditors. As it wasn't contacted by the debt management organisation it was unaware of the arrangement and as payments weren't made Mr A's account was defaulted. Mr A says it is unfair for him to have a default on his credit file when he wasn't at fault.

Tesco Personal Finance says that it didn't do anything wrong by applying the default. It noted the debt management organisation had admitted to making an error and not contacting it after Mr A set up his payment plan, but said it had tried to contact Mr A about his missed payments both by post and telephone but Mr A didn't respond. It said it hadn't been able to locate any evidence that Mr A had said not to send letters to his address and that he had declined the option to change his postal address.

Tesco Personal Finance said it spoke with Mr A on 3 May 2021, before the default was applied, to discuss the arrears on his account. It says Mr A understood the situation and agreed to make a payment by 10 May. However, this payment wasn't made and so the account default and termination process started. Tesco Personal Finance said that had contact been made by the debt management organisation the default and termination process would have started sooner due to the long-term nature of Mr A's financial difficulty.

Our investigator didn't uphold this complaint. He said that Mr A hadn't made his payment to Tesco Personal Finance before he set up the payment plan and then didn't make the agreed payment in May 2021. He said Tesco Personal Finance followed the correct procedure when it didn't receive the agreed repayments. Because of this he didn't require Tesco Personal Finance to amend Mr A's credit file.

Mr A didn't agree with our investigator's view. He reiterated that he hadn't done anything wrong and that he wanted his credit file amended.

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 am sorry to hear of the issues Mr A has experienced and I can understand how the additional stress of this situation has been particularly difficult for him. However, for me to uphold this complaint I would need to find that Tesco Personal Finance had done something wrong.

Mr A was in financial difficulties and hadn't made his contractual payments to Tesco Personal Finance since January 2021. Given the missed payments I do not find that Tesco Personal Finance did anything wrong by starting default proceedings. As Mr A didn't make the required payment to prevent the default I do not find I can say Tesco Personal Finance was wrong to take the actions it did and report the status of Mr A's account to the credit reference agencies.

However, as it was then shown that Mr A had set up a payment plan and had reasonably expected that his creditors - including Tesco Personal Finance - would have been contacted about this I have considered whether, in light of the additional information provided, Tesco Personal Finance should amend Mr A's credit file.

In this case, while I can see that the mistake made by the debt management organisation meant that creditors weren't contacted and payments weren't made and that this was no fault of Mr A's, I do not find that I have enough to say that Tesco Personal Finance is required to amend Mr A's credit file. I say this for the following reasons:

- Mr A reasonably thought his payment plan had been set up in March 2021. He was told the monthly payment amount and Mr A has said that he had the funds available. However, Mr A has also said that the debt management organisation didn't take any money from his account. I think that Mr A should have been reasonably aware of this at the time the payments were due and could have questioned this. Without payments being made to the debt management organisation I do not think it reasonable to believe payments were being made to the creditors. I also note that Mr A's statements showed the situation on his account.
- Even if Mr A wasn't aware that his payments weren't being made, Tesco Personal Finance tried to contact him about his account. A pre-default letter was sent in March 2021 and a call took place in early May 2021. Mr A's payment plan clearly set out that creditors can take different approaches to defaulting accounts and that communication from them shouldn't be ignored.
- I appreciate that Mr A may have thought the pre-default letter would be dealt with as he entered the payment plan around this time, but having listened to the call recording from May 2021, Mr A is clearly told the status of his account. On this call it is explained that Mr A's account is over its limit and that he is behind with his payments. Mr A doesn't mention the debt management organisation and given the information he is provided with I think it would have been reasonable for him to have checked whether the payment plan was in place. Mr A then discussed making a payment to enable his card to be used again and he agrees to do this. Mr A is told that there could be consequences if the payment isn't made and that he should contact Tesco Personal Finance if he isn't able to make the payment. Mr A didn't make the payment or the following payments. Given I find that Mr A had been made aware of the situation on his account and hadn't made the required payments, I do not find I can say Tesco Personal Finance was wrong to issue a default notice.
- As previously noted, Mr A's payment plan said that communication from creditors shouldn't be ignored and so I think he should have been aware he needed to take

action when the default notice was received. I note Mr A's comment about not living at the address Tesco Personal Finance held but as he was asked if he wished to change his address and declined to do so and confirmed the address held, I do not find Tesco Personal Finance did anything wrong by issuing the default notice to the address it had on file.

Overall, while I can understand how upsetting this situation has been for Mr A and I appreciate that he was let down by the debt management organisation I also find that he was provided with enough information by Tesco Personal Finance to understand the situation on his account. As he was notified about the arrears and risk of default and the action he needed to take, I do not find I can say that Tesco Personal Finance is required to remove the default from his credit file.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 November 2022.

Jane Archer
Ombudsman