

## The complaint

Mr M complains that Tesco Personal Finance PLC ('Tesco') did not treat him fairly when he ran into difficulties paying his credit card after becoming unwell.

## What happened

Mr M opened a credit card account with Tesco in or around 2017. Tesco says that Mr M's credit card fell into what is known as 'persistent debt' in 2019 and the card was subsequently blocked because of this.

On 15 January 2021, Mr M contacted Tesco to inform it that he was very unwell and undergoing intensive and ongoing treatment. At that point, Tesco agreed to freeze all interest and charges on Mr M's account. It agreed a repayment plan of £65 per month with the first payment being due on 28 February 2021. Mr M then paid £70 to Tesco on 27 January 2021 and again on 1 March 2021.

On 25 March 2021, Mr M contacted Tesco again and agreed a further payment plan of £70 per month. Mr M tried to make a repayment of £80 on the telephone at that time. However, Tesco told him a payment was not expected until the end of April because he'd already made a repayment on 1 March 2021. Mr M then paid £70 on 30 April 2021. Payments were all up to date at this point.

The next payment I can see on Mr M's statements is for £70, which was made on 17 June 2021. Mr M then paid £80 on 4 August 2021, 20 September 2021 and 18 October 2021. On 18 October 2021, the payment plan was reviewed and extended by a further three months.

In the meantime, Mr M contacted Tesco again on 22 November 2021 and a reduced payment plan of £50 per month was agreed until May 2022. Mr M paid £50 on 22 November 2022 and stuck to the plan until March 2022. He paid more than the agreed amounts most months.

On 25 April 2022, Tesco informed Mr M that the payment plan could not be extended and he would need make the contractual repayments or the account would be defaulted.

On 30 May 2022, Mr M logged a complaint and Tesco agreed to freeze interest while the dispute was investigated. It looks as though Mr M was in touch with Tesco again in July 2022 when he spoke to three different people who told him that if he paid £45, his account would be out of arrears and he would be able to use his card again. Mr M paid £45, but his card was not unblocked and so Mr M brought another complaint.

In response to the complaint, Tesco said it hadn't treated Mr M unfairly by refusing to extend the payment arrangement. It later said he should not have been informed that his card would be unblocked if he paid £45. It offered to pay him £110 to compensate him for that mistake. Mr M didn't accept Tesco's outcome and so he complained to this service.

Our investigator didn't initially think the complaint should be upheld. Mr M disagreed with that view. He said he hadn't been able to undergo medical treatment because of the mistakes Tesco made.

Our investigator looked again at his view and then said that Tesco should pay Mr M a further £150 for incorrectly telling him to pay £45. Tesco agreed to do this, but Mr M didn't think it resolved his complaint. He said that Tesco told him the payment plan wouldn't affect his

credit score, but it had. Mr M wanted his credit file to be amended. He didn't think the compensation our investigator suggested was sufficient to put right the impact Tesco's actions had on his health.

As Mr M did not agree with our investigator's view, the matter was passed to me for an ombudsman's decision. I then issued a provisional decision. I said:

"I intend to uphold this complaint to the extent set out below. I'll explain why.

The first thing I've considered is whether it was fair and reasonable for Tesco to say that it wouldn't extend Mr M's payment plan. I can see that the arrangement to pay was initially agreed in January 2021 and then extended on several occasions up to May 2022.

An arrangement to pay or payment plan is generally a short-term arrangement. By the time Tesco said it wouldn't extend the arrangement any further, it had been in place for 18-months. And the information Tesco had about Mr M's circumstances at that time indicated that the difficulties he had making the repayments in full were most likely long-term.

Tesco said that if Mr M was unable to meet the full contractual repayments, it would default his account, which would enable it to freeze interest and charges over the longer term. I know Mr M was keen for Tesco not to apply a default. But as his difficulties did appear to be long term, I can't say Tesco treated Mr M unfairly when it said it would not extend the short-term payment arrangement.

I've next looked at what Tesco reported to the credit reference agencies. Mr M says his credit score was affected by the arrangement he made with Tesco in January 2021. Our investigator didn't think this part of the complaint should be upheld because Tesco had explained to Mr M that the payment plan would be reported to the credit reference agencies as an 'arrangement to pay'.

When the complaint was passed to me, I asked our investigator to obtain the information Tesco had reported to the credit reference agencies. Having considered that information, it doesn't appear to have been correctly recorded.

I say this because Mr M entered a payment arrangement with Tesco in January 2021. I cannot see that payment arrangement reflected anywhere on Mr M's credit file. Instead, Tesco reported that Mr M was between one and three months behind with the repayments from March 2021 up to December 2021. So, as things stand, I think Tesco will need to amend the credit file so that it is accurate and shows the arrangement to pay.

I asked our investigator to query with Tesco why the information that was reported to Mr M's credit file appeared to be incorrect. On 14 February 2023, Tesco told us it now accepted that it had not correctly reported the payment plan and said it would arrange for the correct information to be reported to Mr M's file.

I think it will be fair for Tesco to correctly report to the credit reference agencies that Mr M had made an arrangement to pay in 2021. I have listened to the telephone calls from when Tesco reviewed the arrangement with Mr M on 15 January 2021, 25 March 2021, 18 October 2021 and 22 November 2021. I am satisfied that he was informed on each occasion that the agreement would be reported as an arrangement to pay with the credit reference agencies.

I can see Mr M did largely stick to the payment arrangement, but it looks as though he may have missed two repayments. I can't see that anything was paid between 30 April 2021 and 17 June 2021. That means it looks as though he missed the repayment that was due in May 2021. I can't see that anything was paid between 17 June 2021 and 4 August 2021, so it seems as though Mr M would have missed the

July 2021 repayment as well. As Tesco should make sure the information it reports to the credit reference agencies is accurate, my provisional view is that it will be fair to report those two missed payments as well.

I can see that Mr M told our investigator that he wanted Tesco to put his credit score back to what it should have been. I just want to be clear that Tesco is not responsible for calculating the credit score that appears on Mr M's credit file – that's something that's worked out by the credit reference agencies themselves. But they will take account of what's reported to them by creditors like Tesco. So that's why Tesco should make sure the information it provides to the credit reference agencies is accurate. And I intend to tell Tesco to report the correct information to Mr M's credit file.

I've also looked at what Mr M said about Tesco providing him with incorrect information in July 2022. I can see Tesco accepts he was told on three occasions that making a payment of £45 would clear his arrears and bring the account back up to date. However, this was not correct because Mr M's card use had already been suspended in 2019 because Tesco considered him to be in 'persistent debt'.

I agree that Tesco shouldn't have given Mr M incorrect information in that regard. Mr M told our investigator that he wanted Tesco to reactivate his credit card. But I can't reasonably tell Tesco to reactivate the card just because it mistakenly told him it would. It has already agreed to pay him £260 to compensate him for that mistake.

But as I have identified a further error on Tesco's part, as things stand, I don't think the compensation of £260 Tesco agreed to pay in this case is fair.

As I said above, Mr M has a very serious and longstanding health condition requiring frequent medical intervention. Mr M says the impact on him was such that his medical professionals delayed treating his ongoing health condition because of the difficulties he says were caused by Tesco. I'm very sorry to hear that there were delays with Mr M's treatment. However, looking at the information that's before me, I don't think I can conclude that the dispute with Tesco would have been the only reason that Mr M's treatment was delayed.

That said, at the time of Tesco's errors, Mr M was and still is going through a very difficult time. I have listened to the calls between Mr M and our investigator and it is clear that the ongoing issue with his credit file has caused him a significant degree of distress. He has also been inconvenienced in trying to put the matter right during that very difficult time and when in poor health.

Putting all of this together, as things stand, I intend to tell Tesco to pay a further £240 to Mr M. That means I intend to tell Tesco to pay a total of £500 to Mr M to compensate him for the errors I have identified above."

I asked the parties to provide me with any additional comments they wanted me to consider. No further information or evidence was provided by Tesco. Mr M said that he thought Tesco should pay more compensation.

### **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.

Having done so, I see no reason to depart from my provisional findings.

I know Mr M thought that more compensation should be paid. I recognised the mistakes Tesco made in my provisional decision and that these mistakes caused Mr M some distress and inconvenience. However, I remain satisfied that £500 fairly reflects the impact this had on him. I'm not persuaded that Tesco should pay more.

So, for the reasons set out in my provisional decision, Tesco will need to pay £500 in total to Mr M. It will also need to amend Mr M's credit file.

### **Putting things right**

I require Tesco to:

- amend Mr M's credit file so it shows he made an arrangement to pay his Tesco credit card with the first payment due on 28 February 2022. The amendment can also show that a payment was missed in May 2021 and again in July 2021; and
- pay £500 in total to compensate Mr M for the mistakes I have identified above. If £260 has already been paid to Mr M, then Tesco can deduct that from the amount it now owes him.

### **My final decision**

I uphold this complaint and require Tesco Personal Finance PLC to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 April 2023.

Nicola Bowes  
**Ombudsman**