

The complaint

Miss M complains that Tesco Personal Finance PLC promised to apply blocks on her account to service providers but failed to do so, allowing Miss M to spend money she couldn't afford.

What happened

Miss M asked Tesco, as a vulnerable customer, to block payments to food delivery services. Tesco's adviser told her a block would take one week. But after this she said a transaction went through. Miss M complained and said Tesco told her it wasn't able to block service providers and rejected her complaint. But she noticed a few days later that it had blocked the delivery service providers. Tesco rejected her complaint again by saying it wasn't at fault.

Tesco said the service provider for whom the block was requested had used different credentials for Miss M's subsequent transaction, meaning the payment would go through. Tesco said a block won't prevent a one-off transaction if there is sufficient credit.

Miss M was unhappy with Tesco's reply and referred her complaint to us. Our investigator recommended it be upheld. She said Miss M could have better explained her vulnerability to Tesco, who should have asked for more details and provided more information about the requested blocks. The investigator said Miss M wasn't aware the service provider could use different credentials. She said Tesco should pay Miss M £50 compensation for the distress and inconvenience she experienced due to its lack of transparency.

Miss M accepted this outcome, but Tesco did not and requested an ombudsman review the complaint. Tesco said Miss M requested blocks but said she impulse buys when upset. A block wouldn't have prevented similar purchases with any other similar provider, such as the ones she has previously transacted with. Tesco said it didn't think it could differentiate between a genuine spend and an impulse buy so as to guarantee an effective block.

Another investigator also upheld the complaint due to Miss M's call with Tesco, which she described as brief and generic with no attempt to understand the issue. She said it would have benefitted Miss M to know from Tesco that the blocks might not be fully effective, and Tesco wouldn't be able to distinguish between compulsive and normal spending.

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.

Tesco told Miss M that the blocks she had requested would be applied but this wouldn't be immediate. Miss M complains that she was then able to make payments to the relevant service providers.

I can see the blocks were applied by Tesco, but a different merchant ID was used by the service provider allowing Miss M's transaction to be completed. Tesco has no control over this, and I accept its points about the less than total effectiveness of these controls.

Tesco also makes a fair point about the difficulty it faces in trying to distinguish between normal spending and compulsive spending and has given an example of Miss M's transaction to a similar service provider in respect of which she didn't subsequently request a block. I can see Tesco's difficulty here and that would apply to any account provider.

I've listened to the call where Miss M requested Tesco apply the blocks and the follow up call when Miss M discovered the transaction had completed. I think Tesco's adviser should have told Miss M that the blocks could be attempted, but it couldn't guarantee effectiveness. These conversations can help a consumer make more informed decisions about compulsive spending, such as potentially contacting the service provider directly to see if there's anything else that would help.

I also think it's unfortunate that the adviser didn't check with Miss M as to why she wanted the blocks applied, as this would have elicited her vulnerable status, i.e. spending money in this way when she is upset.

I agree with the investigator that Miss M's brief reflections on her difficulty should have given rise to some questioning from the adviser, and for this reason I think the complaint should be upheld, rather than because the block wasn't effective. I think £50 compensation to Miss M is fair and reasonable for the confusion and disappointment she suffered when not understanding the limitations of the blocks she thought were in place.

Tesco provided us with a copy of its 'Vulnerable Customers Policy'. This states that advisers are to understand the needs of customers in vulnerable situations and circumstances and to provide the appropriate support for their individual needs and to do that by asking sensitive or personal questions. I don't think that happened in the calls with Miss M and so I uphold this complaint.

Having said the above, I'm pleased Tesco's adviser signposted Miss M to help and advice about being in debt and she declined to speak to Tesco's Financial Assistance Team.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld. I require Tesco Personal Finance PLC to pay Miss M £50 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 28 November 2023.

Andrew Fraser
Ombudsman