

The complaint

Mr B complains that Tesco Personal Finance PLC trading as Tesco Bank unfairly suspended a credit card account on which he had never missed a payment. Mr B is also unhappy at the way Tesco dealt with his subsequent complaint.

What happened

Mr B has a credit card account with Tesco. He hadn't used the card for some time but had regularly been making the minimum payment due on the balance each month.

As Mr B was only paying the minimum amount due then over time this account fell into persistent debt, that is Mr B had paid more in interest than he had towards the principal. Tesco sent Mr B a number of letters from December 2022 explaining this and advising him to increase his payments to clear the balance sooner. These letters also included personalised plans showing Mr B the amounts he would need to pay per month to clear the balance between 12 and 48 months. Mr B didn't increase his payments.

In August 2023, when Mr B's credit card account had been in persistent debt for nearly 36 months, Tesco wrote to him and asked that he pay a lump sum of around £350 towards the balance so that it was no longer in persistent debt. Tesco said if this amount wasn't paid then the credit card would be suspended.

Mr B was very unhappy to receive the letter from Tesco as he had never missed a payment and was a loyal customer. He contacted Tesco to make a complaint and to ask that no further letters were sent about suspending the account. Tesco acknowledged his complaint.

In September Mr B's credit card account was suspended. Tesco also sent Mr B its final response letter. In this letter it explained about his account being in persistent debt and the reason for the card being blocked. Tesco said it wasn't upholding Mr B's complaint. Mr B says he never received this letter.

Mr B sent Tesco a further letter in October 2023 expressing disappointment that he hadn't heard from it about his complaint. Mr B then complained to this service.

Our investigator didn't recommend that Mr B's complaint should be upheld. He said he didn't think Tesco had acted unfairly. Our investigator said that as Mr B's account had been in persistent debt and Tesco had warned him of the consequences of that in respect of the card being suspended, he didn't think its actions had been unreasonable. He also explained that a credit company's complaint handling isn't a regulated activity and therefore didn't fall within this service's remit.

Mr B disagreed with the view of our investigator. He said he had never received any communication from Tesco about his complaint. He also said that Tesco still advertised a former CEO's email address as one to use for complaints which showed they didn't take complaints seriously.

The complaint has been passed to me.

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 asked for a copy of Tesco's final response letter to be sent to Mr B and he confirmed he hadn't seen it before. I don't know why it had been delivered but it was correctly addressed so I can't reasonably say this failure was due to anything done (or not done) by Tesco. And while I've seen Mr B did contact Tesco at the beginning of October 2023 to chase up his complaint, I think Tesco's lack of response may have been due to it having recently sent out its final response letter. However, I think it may have been helpful if Tesco had told Mr B it had already replied when it received this chaser. Mr B has been very frustrated by his perceived lack of response from Tesco which is understandable.

I've seen that Tesco wrote a number of letters to Mr B about his credit card and its status and I'm unclear whether all of these arrived as well. While I appreciate Mr B isn't in financial difficulty and was making the regular minimum monthly payments on the account, it still fell into persistent debt. This is because by only paying the minimum amount, Mr B was paying off more in interest than the amount borrowed. The Financial Conduct Authority (FCA) has issued guidance to lenders for this situation because taking no action could amount to irresponsible lending. When a consumer is paying more in interest than the principal then the debt will take many years to clear and becomes, over time, very expensive. I think Tesco acted fairly in contacting Mr B and asking him if he could pay more off the balance. I also think these letters set out why increasing his payments was important and that if he couldn't afford to do so he should get in touch. I haven't seen that Mr B responded to any of these letters before his contact in August 2023 when he had been advised the credit card would be suspended.

Mr B's contact with Tesco in August didn't lead him to increase his payments and the account therefore remained in persistent debt. Once it reached the 36th month of being in persistent debt then the credit card was suspended. I don't think this decision by Tesco was unfair, it had warned Mr B this would be a consequence of not increasing his payments and this is a step that protects a consumer from increasing what they owe. Tesco wasn't aware of Mr B's circumstances and so it took reasonable preventative action.

Although this will be of disappointment to Mr B, I don't think Tesco has mishandled his credit card account. I think it dealt with it in line with the persistent debt process which had been correctly applied to his account.

I've seen Mr B doesn't believe Tesco dealt with his complaint properly. This was heavily based on his not receiving a reply which, as set out above, had actually been sent to him. He has also raised what he considers to be misleading information provided by Tesco about where to send complaints. As explained by our investigator, the way a business handles a complaint isn't for this service because it doesn't fall under regulated activities. However, I've also seen our investigator was able to locate that Tesco does provide the correct address for complaints online and so I hope that has reassured him. In any event I'm not able to comment further on Tesco's complaint handling service.

For the reasons set out above, and I'm sorry this will disappoint Mr B, I'm not upholding his complaint.

My final decision

For the reasons given I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 May 2024.

Jocelyn Griffith
Ombudsman