

The complaint

Mr T complains that Tesco Personal Finance PLC trading as Tesco Bank have overcharged him, and they're providing misleading information on their website.

What happened

Mr T says that he was approved for a Tesco personal loan which he proceeded with, but he wanted to repay the loan back earlier. He says Tesco's website shows if he were to repay the loan early he might be charged up to two months interest. Mr T contacted Tesco and he says the call handler told him to deduct a monthly instalment from the repayment amount. Mr T says he did this, and he paid Tesco £23,237.80, but they still took a direct debit payment of £526.12 by direct debit a couple of weeks later.

Mr T contacted Tesco. He says the first call handler hung up on him. Tesco later told Mr T that the original call handler told Mr T incorrect information, but they couldn't refund the £526.12 as this was due. Mr T says he paid a total of £24,290.02 for having a £23,500 loan for one month. Mr T made a complaint to Tesco.

Tesco partially upheld Mr T's complaint and paid him £50. They said on 16 October 2023, Mr T obtained an early settlement figure of £23,764.00, which includes up to two months of interest and any interest he's due back. They said he called Tesco on 30 October 2023 to discuss the settlement figure, but Mr T was provided incorrect information as the early settlement figure wasn't due to expire until 15 October, and his contractual monthly payment date is on the 15th of each month which meant if he wanted to settle the loan in full, then the settlement figure was still valid.

Tesco said as his monthly payment for November wasn't taken after obtaining the early settlement figure, he didn't need to deduct the monthly payment as he was still due to make a payment. They said they received Mr T's payment of £23,237.80, but as this didn't settle the full loan the direct debit was collected, and the loan is now closed. Tesco said within Mr T's credit agreement, they confirmed the interest is front loaded, and at the start of the loan most of the payments go towards the interest. Mr T brought his complaint to our service.

Our investigator did not uphold Mr T's complaint. He said the early settlement figure provided was £23,764, which was the correct figure. But when Mr T contacted Tesco he was incorrectly told to deduct the contractual monthly payment of £526.12 from the figure provided. He said he couldn't fairly say that Mr T was overcharged. Mr T asked for an ombudsman to review his complaint. He said the £50 compensation was not enough for the stress and negative customer experience Tesco put him through.

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've reviewed the credit agreement between Tesco and Mr T to see if Tesco have adhered to this credit agreement. The credit agreement sets out that the total amount that Mr T agrees

to pay back will be £31,567.20. But there is a section of the credit agreement which also says “*Can I settle the loan in full early?*”. This section shows the following text:

“You can repay the loan in full at any time. In order to do this, you must contact us first to obtain an early settlement figure. Settlement figures are valid for 30 days and therefore automatically include 30 days' interest in the early settlement figure. If you pay off your loan early in full, we will also charge you 28 days' interest for early settlement”. So I do think Tesco were clear that Mr T could pay back the loan in full at any time.

The credit agreement also shows that “*At the beginning of the loan we work out the interest you will pay over the whole length of your loan and add this to your loan amount. We calculate your interest charge by applying interest at a monthly rate based on the APR (Annual Percentage Rate) to the balance of your loan, as reduced by your monthly repayments. We add this to the loan amount and then divide this total by the number of monthly repayments”.*

So I can see that at the beginning of the loan, Tesco calculated the interest Mr T would pay over the whole length of the loan and added this onto the loan amount. The interest for the whole loan was £8,067.20 (as Mr T's credit agreement shows his loan was for £23,500 and the credit agreement shows the total amount payable was £31,567.20). So as the amount repayable on the loan was £31,567.20, when Mr T made his direct debit payment which credited his loan account on 16 October 2023 of £526.12, this reduced the amount repayable over the whole term to £31,041.08.

Mr T then asked Tesco for an early settlement figure. I can see that Tesco wrote to Mr T on 16 October 2023 explaining that the early settlement figure would be £23,764. They showed they calculated this by using the total amount outstanding at that time of £31,041.08 (which matches the figure in the previous paragraph of this decision), less an interest rebate of £7,277.08, which meant the settlement figure was (£31,041.08 - £7,277.08) £23,764. The letter also shows that the (early settlement) figure is valid until 15 November 2023. So I do think this letter was clear on what Mr T needed to pay to settle his loan early.

Mr T spoke to a call handler who told him to deduct a monthly repayment from this figure. So I can understand why he feels Tesco have overcharged him. But Mr T was given incorrect information by the call handler. The communication he was sent dated 16 October 2023 showed the breakdown and the correct information on it. So I can't conclude Tesco gave him incorrect information on the credit agreement (their website also shows similar wording about early repayments), or the early settlement letter. But they did give him incorrect information on the phone about this.

Mr T needed to pay £23,764 to settle his loan. And he made a payment of £23,237.80 which meant £526.12 needed to be paid by 15 November 2023 to fully settle his loan. So Mr T hadn't paid more than what was due. But it would have been distressing for Mr T when the £526.12 debited his account on 15 November 2023, based on the information he was given. And it would also be upsetting when he rang Tesco if the line was disconnected meaning he had to ring them back. Mr T was caused inconvenience by having to ring Tesco due to the error from the original call handler.

So I've considered what would be a fair outcome for this complaint. I'm aware that Mr T feels the compensation is not proportionate for what Tesco put him through. But I must explain to Mr T that our awards are not designed to punish a business or to make it change the way they act in order to protect other customers in the future. That is the role of the regulator. We sometimes award compensation if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event.

I'm satisfied the £50 compensation that Tesco paid Mr T was fair. It is in line with our awards for the distress and inconvenience Mr T was caused. I can empathise with the position Mr T found himself in as a result of the wrong information on the phone, but Mr T was not overcharged or provided misleading information on their website (or credit agreement). He signed the credit agreement electronically to agree to the terms set out in the agreement. So it follows I don't require Tesco to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 12 June 2024.

Gregory Sloanes
Ombudsman