

The complaint

Mr R complains that when he closed Tesco Personal Finance PLC trading as Tesco Bank credit card he wasn't told about an outstanding balance. Mr R says that Tesco Bank went on to apply a default to his credit file without his knowledge.

What happened

Mr R had a credit card with Tesco Bank and has told us that he normally cleared the outstanding balance in full each month. On 29 September 2022 Mr R made a payment of £1,190.32 towards the outstanding balance. Mr R made another payment of £23.96 on 30 September 2022. Both payments were made as Faster Payments.

Mr R continued to use the credit card for purchases. On 26 October 2022 Mr R spoke with Tesco Bank about some transactions on his credit card. During the call, Mr R asked to close his credit card and Tesco Bank says he was directed to its website to complete an online form. Tesco Bank also says Mr R amended his address on 26 October 2022.

Mr R went on to close his credit card and has explained that no one told him there was an outstanding balance due. Tesco Bank says that the information Mr R was given online when he closed his account advised him to ensure any outstanding balance was repaid.

Tesco Bank sent Mr R monthly credit card statements but no further payments were received. In November 2022 arrears letters were issued to Mr R along with the monthly statement. These continued in December 2022. In January 2023 a statement, further arrears letters and a default notice were sent to Mr R by Tesco Bank. And in February 2023 a termination letter was issued by Tesco Bank explaining it was closing the account. A default was applied to Mr R's credit file by Tesco Bank.

Mr R says that he learned of the arrears and default in March 2023 and called Tesco Bank straight away. Mr R made a payment to clear the outstanding balance and Tesco Bank amended the credit file record to say the debt was satisfied.

Mr R complained and Tesco Bank issued a final response. Tesco Bank didn't agree it had made mistakes in the way Mr R had been contacted and said it had notified him of about the arrears and intention to close his account after payments stopped. Tesco Bank paid Mr R £25 to apologise for failing to call him back. But Tesco Bank didn't agree it had made any mistakes in terms of the way it administered his account and didn't offer to amend his credit file.

An investigator at this service looked at Mr R's complaint. They weren't persuaded that Tesco Bank had treated Mr R unfairly or made a mistake by recording a default on his credit file. Mr R asked to appeal and said his payments had always been made on time. Mr R also said he wasn't informed about the outstanding balance when he closed the account. Mr R added that he had a direct debit in place so payments should've been collected automatically. Mr R pointed out that when he found out about the outstanding balance in March 2023 he quickly repaid it. As Mr R asked to appeal, his complaint has been passed to me to make a decision.

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 understand Mr R had a good track record with Tesco Bank and until the end of September 2022, his payments were all made on time. But the last payment Mr R made was on 30 September 2022 and he continued to use his credit card for further spending throughout October 2022. So when Mr R spoke with Tesco Bank on 26 October 2022 and asked how to close his account, I'm satisfied he would most likely have been aware that he'd been using the credit card since his last payment was made.

In response to the investigator, Mr R said he had a direct debit instruction in place to make payments. But Tesco Bank's confirmed the direct debit instruction was cancelled in January 2022. And the credit card statements I've seen show Mr R made his payments via Fast Payment, not direct debit. In my view, it appears Mr R was aware manual payments were being used each month to pay his credit card. I've not seen any evidence that indicates a direct debit was in place or used to make payments to the credit card balance in the months before Mr R closed the account.

Mr R's explained that no one told him a balance was due when he asked about closing the account. But Mr R was directed to Tesco Bank's website to complete an account closure form online. Tesco Bank has provided copies of the confirmation messages it sent Mr R when that was done. It specifically said:

Your balance – if you still have a balance to clear, you don't need to pay it in full straight away. Just make at least your minimum payment on time every month and you can pay off the balance as normal...

Given this was the message Mr R was sent after the request to close his credit card was made, I'm satisfied Tesco Bank made it clear that closing the account didn't mean the outstanding balance had been paid in full.

I also think it's fair to say that Tesco Bank amended Mr R's address on 26 October 2022 and went on to issue his credit card statements and, later, arrears correspondence, as directed. Mr R's explained that he didn't receive Tesco Bank's letters. But Tesco Bank has provided copies of credit card statements from November and December 2022 and January 2023 were all sent to Mr R. Tesco Bank's also provided copies of the arrears letters, default notice and termination letter is sent Mr R before the account was closed. I understand Mr R says he didn't receive any of these letters. But I'm satisfied the letters and credit card statements were all issued by Tesco Bank and sent to Mr R as claimed.

I understand Mr R cleared the balance in March 2023 and Tesco Bank's confirmed it amended his credit file to reflect that. But as no payment was received after 30 September 2022 and an outstanding balance of over £600 remained on the account during that time, I'm unable to agree that Tesco Bank acted unfairly when it took the step of terminating the credit card agreement and recording a default on Mr R's credit file. I'm very sorry to disappoint Mr R but as I haven't found any evidence that shows Tesco Bank made a mistake or treated him unfairly in the way his credit card was administered, I'm unable to tell it to amend his credit file to remove the default. I'm satisfied the default accurately reflects the way Mr R's credit card was closed by Tesco Bank.

As I'm unable to agree that Tesco Bank has made a mistake or treated Mr R unfairly, I'm not upholding his complaint.

My final decision

My decision is that I don't uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 July 2024.

Marco Manente
Ombudsman