

The complaint

Mrs B complains about the service she received from Tesco Personal Finance PLC trading as Tesco Bank, after requesting changes be made to the monthly direct debit on her credit card account.

What happened

Mrs B holds a credit card with Tesco. In October 2023 she logged into her online banking to make amendments to her monthly direct debit. Up until this point, she'd been making the minimum monthly payment, but now wanted the direct debit to collect the full statement balance each month.

Mrs B actioned the request online and was presented with a screen informing her that, if her payment was due in the next seven days, the previous direct debit instruction may proceed as shown in her current statement. And it advised her to contact her bank if she needed to cancel her immediate payment.

The payment for October 2023 wasn't claimed by direct debit, and for a short period, Mrs B's account fell into arrears. Mrs B discussed this with Tesco, and felt that the issue with the payment was Tesco's fault, not hers. She made a payment by card to bring her account up to date and Tesco agreed to refund her late payment fee. However shortly after, Mrs B's credit score dropped, and a late payment was recorded against her credit file. During this time, her credit limit also reduced from £6,000 to £1,650. So, Mrs B complained.

Tesco confirmed they had agreed to refund the late payment fee, but they were satisfied that the information recorded with the credit reference agencies was correct, so initially they didn't agree to amend this, and the case was passed to an investigator. They later accepted there may have been some confusion around the messaging, so, in addition to refunding the late payment fee, they agreed to remove the late payment marker from Mrs B's credit file, and offered her £150 in compensation.

The investigator felt that amending Mrs B's credit file was a fair resolution, as it would put her credit file back in the position it was prior to her complaint. And she thought that the offer of £150 in compensation was reasonable in the circumstances. Mrs B remained unhappy however, and said that she felt the compensation should be increased, and that the key issue was Tesco's failure to reinstate her credit limit to the £6,000 it was set at previously.

The investigator asked Tesco if they were willing to reconsider their offer, but they felt the offer put forward was fair. Mrs B remained unhappy. So the case has been passed to me, an Ombudsman, to decide.

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.

It's unclear exactly what caused the payment issue, but from what I can see, the system message generated at the time Mrs B tried to alter her payment, explained that if the

payment was due in the next seven days, Mrs B's old payment instruction may proceed. And if Mrs B didn't want that to happen, she would need to cancel the payment with her bank.

However, from the evidence Tesco have now provided, it shows that Mrs B amended her direct debit online on 10 October 2023, and her payment was due on 20 October 2023. So therefore, she should not have been impacted by the information within the above message, as her payment wasn't due within the seven-day period set out.

Despite the above, in Tesco's more recent correspondence, they've said that as Mrs B's request to change the payment date was actioned after her statement had been produced, she would still be required to make a manual payment for October. This seems to contradict the earlier message she received. So, I don't think the information presented to Mrs B in relation altering her payments on this occasion, was entirely clear.

That being said, Tesco have now accepted that they didn't initially provide a suitable outcome in respect of Mrs B's complaint. So, in addition to refunding the late payment fee, they have also agreed to amend Mrs B's credit file and compensate her with £150.

Looking at the issue of the credit file marker, I think Tesco's offer here is fair. I say this because I'm satisfied that if it wasn't for the confusion around what needed to be done in respect of her monthly payments, Mrs B's payment would've likely been made for the month it was missed. And Tesco's offer here reflects that, and puts Mrs B's credit file back in the position it would've been had the payment been made on time.

I also appreciate that this would have been a distressing time for Mrs B, given it seems she followed Tesco's instructions, but despite this, then had to then make further calls and wait for her credit file to be rectified. That being said, while I accept the frustration this would've caused, I do feel that £150 is not an insignificant sum of money, and on balance, I think it fairly compensates Mr B for the distress she would've experienced.

Turning next to the matter of her credit limit. Around the time of the above, Mrs B's credit limit was reduced from £6,000, to £1,650. Mrs B feels that Tesco should reinstate her initial £6,000 credit limit, given that the issues occurred were not her fault. But Tesco have explained that while the credit limit reduction took place around this time, it wasn't as a result of the late payment, and that they regularly review customer's credit limits, looking at both internal and external factors, to determine whether a customer's limit remains appropriate. Having done so, they were satisfied the credit limit reduction was carried out fairly. And I have no reason to doubt what they've told us here.

Also, as a service, it's not for us to tell a business what it should lend, or what credit limits it should provide. Instead, we will look at whether or not we think a customer has been treated fairly in the round. In this case, from the evidence Tesco have provided, I'm satisfied that they carried out a manual review and considered other information available to them when deciding not to reinstate Mrs B's credit limit. Therefore, I won't be asking them to reinstate her previous credit limit.

I appreciate this may come as a disappointment to Mrs B, and I know it's not the outcome she was hoping for. But I hope I've been able to explain clearly why I've reached the outcome I have, and why overall, I'm satisfied Tesco's most recent offer is a fair one. So, for the above reasons, I won't be asking Tesco to do anything more than they've agreed to.

My final decision

My final decision is that I uphold Mrs B's complaint.

I now require Tesco Personal Finance PLC to put Mrs B's account in the position it would've been if the payment had initially reached her account on time for the month of October 2023.

Tesco Personal Finance should also report October's 2023's payment as having been paid on time, and they should pay Mrs B £150 in compensation if they haven't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 17 October 2024.

Brad McIlquham
Ombudsman