

The complaint

Mr P is complaining about Tesco Personal Finance PLC trading as Tesco Bank because he says it reported to the credit reference agencies (CRAs) that his account was in arrears when he was actually paying more than the contractual amount.

What happened

In 2020, Mr P took out a loan with Tesco Bank for £35,000 over a term of 10 years and with a monthly repayment of £452. Tesco Bank wrote to Mr P in July 2022 to confirm this amount had reduced to £445. Its original letter confirming the loan said payment was due on 25th of each month.

The loan was initially set up for Mr P to pay by monthly direct debit but he then cancelled this and began making manual payments. He says he's paid weekly by his employer and prefers to pay throughout the month. Mr P consistently paid more than the contractual payment each month and the loan was fully repaid in December 2023. But the timing of his payments was irregular and for different amounts.

Tesco Bank says its process was to credits these payments to the account but that delays in doing so sometimes meant the account wasn't credited before 25th of the month. In that situation, the account would show as being in arrears and this is what would be reported to the CRAs.

Mr P experienced a similar situation in 2022, when the account was reported as being in arrears despite him paying more than the contractual payment in the relevant month. On that occasion, after he complained, Tesco Bank agreed to amend his credit file to remove the negative reporting. That complaint was also referred to us and our investigator concluded that was a fair outcome.

The same thing happened again in September 2023, when I understand Tesco Bank again reported the account as being in arrears.

When Mr P complained this time, Tesco Bank paid compensation of £25 because it didn't call him back when it said it would but didn't accept it had done anything wrong in respect of the loan account. It said the agreement was for him to pay the contractual payment *on* 25th of each month and that he'd been '*educated and informed*' about how to make payments to his loan in 2022. It refused to amend his credit file.

After the complaint was referred to me, I issued my provisional decision setting out why I believed it should be upheld. My reasons were as follows:

I've limited my investigation to events since Mr P's previous complaint in 2022. In reaching my decision, I've carefully considered the main responsibilities of the parties. For Mr P, this was to make sure he paid the required amount each month by the payment date. And for Tesco Bank, this was to process those payments correctly and report the status of the account accurately to the CRAs.

Mr P's complaint refers specifically to the month of September 2023, when I understand Tesco Bank again reported the account as being in arrears. A review of the statements appears to show he made total payments of £450 between 26 August and 25 September, which is more than the contractual payment of £445 for that month. I note there was also a payment of £500, but it's not clear if that should have been credited to the account as there was also a payment reversal for the same amount on the same date. But from what I've seen, I can only reasonably conclude he met his responsibilities under the agreement as he paid at least the contractual payment by the required date of 25th September.

It was for Tesco Bank to decide how it processed Mr P's payments and credited them to the account and I'm not looking to comment on that. But in a month where Mr P had paid more than the contractual amount before the required payment date, I don't see how Tesco Bank can reasonably argue that reporting the account as being in arrears was an accurate reflection of its status. I also believe it's very unfair for Mr P's credit file to have been negatively affected even though he met his responsibilities under the agreement.

I appreciate the irregular manner in which Mr P made payments might have been inconvenient for Tesco Bank. And I can see this could lead to a situation where the account might have appeared to be in arrears on 25th of the month if some payments hadn't been credited by that time. But that doesn't change my view that it would be inaccurate for his credit file to show the account was in arrears and I'd expect Tesco Bank to rectify things if this occurred. I note it amended the credit file in 2022 when a similar situation arose and I can see no reason why it shouldn't do the same thing now.

In summary, I don't believe the information reported to the CRAs represented an accurate reflection of the status of Mr P's loan account and I think Tesco Bank needs to take action to put things right. It's for this reason that I'm currently proposing to uphold this complaint.

Mr P accepted my provisional decision. Despite a reminder from our investigator, Tesco Bank didn't respond within the timescale given and has therefore made no further comment.

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.

As neither party has made any further submissions in response to my provisional decision, my findings haven't changed from those I set out previously.

Putting things right

The principal aim of any award I make is to return Mr P to the position he'd be in but for the inappropriate actions of Tesco Bank.

I'm therefore instructing Tesco Bank to amend Mr P's credit file to remove any negative information relating to the status of the account in September 2023 when I think the evidence shows he made the required payment on time.

It's not clear whether Tesco Bank reported the account as being in arrears for any other months after Mr P's previous complaint in 2022. But if it did, and Mr P had also paid at least

the contractual amount and done so before 25th of the month, I'm also instructing it to amend his credit file in the same way for those months.

In addition, I think the circumstances described have caused Mr P a degree of distress and inconvenience. The amount to award for a consumer's distress and inconvenience can be difficult to assess as the same situation can affect different people in different ways. But taking everything into account and leaving aside the issue of a manager not calling him, for which he's already been compensated, I think an amount of £200 is fair and reasonable in the circumstances of this case.

I'm satisfied this represents a fair and reasonable settlement to this complaint.

My final decision

For the reasons I've explained, I'm upholding Mr P's complaint. Subject to his acceptance, Tesco Personal Finance PLC trading as Tesco Bank should now put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 4 June 2024.

James Biles
Ombudsman