

The complaint

Mr M complains that Tesco Personal Finance PLC ("Tesco") defaulted and terminated his account whilst he was in a payment arrangement. He's also unhappy that he didn't receive the Final Response to his complaint and about the customer service he received when he contacted Tesco.

What happened

Mr M held a credit card with Tesco. In June 2023 Mr M experienced a change in his financial circumstances and agreed a 6 month payment arrangement with Tesco.

Due to an error by Tesco, the account was defaulted and terminated. Mr M raised a complaint about this in November 2023.

In November 2023 Mr M spoke to Tesco about the account. The agent advised Mr M that he couldn't set up another payment arrangement whilst a complaint was ongoing.

In December 2023 Mr M contacted Tesco to say he hadn't been able to access the Final Response to his complaint which had been sent to him by email. The agent advised Mr M that he would make the complaint handler aware of this.

On 23 January 2024 Mr M spoke to Tesco about the outcome of the complaint. Tesco advised Mr M that it had made an error when it terminated the card but said he would still be required to repay the spending used on the account. Mr M wasn't happy with the outcome and requested a call back from a manager.

Mr M spoke to Tesco again on 26 January 2024. The agent advised Mr M that the information given by the previous agent was correct and that whilst Tesco was at fault regarding the termination of the card, the card could not be reinstated. The agent said the Final Response had been sent to Mr M in December and re-sent in January, but there had been an error with this. Mr M requested that the Final Response was sent to him in the post which the agent agreed to do.

The Final Response wasn't correctly addressed to Mr M when it was sent which resulted in it being returned as unsent. Mr M called Tesco in March 2024 and asked for the Final Response to be reissued.

Mr M has raised three separate complaints with Tesco. I will consider all three complaints in this decision. The main issues he has raised across all three complaints are:

1. His account was incorrectly defaulted and terminated.
2. He's unhappy with the way an agent and a manager in the complaints team spoke to him when he called.
3. He was given incorrect information about a payment arrangement by an agent on the telephone.

4. He didn't receive the Final Response to his first complaint until March 2024.

Mr M raised his first complaint in November 2023. Tesco issued a Final Response on 13 December 2023. It acknowledged that there had been a system error which resulted in the account being incorrectly defaulted and terminated. It arranged for the default to be removed from Mr M's credit file. It said it couldn't reinstate the account because an account termination was irreversible and offered £200 compensation for the error.

Mr M raised his second complaint in January 2024. Tesco issued a Final Response on 29 January 2024. Tesco didn't uphold the complaint. It said it had reviewed the calls and couldn't find any concern about the way the agent had spoken to Mr M.

Mr M raised his third complaint in March 2024. Tesco reviewed the complaint and issued a Final Response on 3 April 2024 in which it acknowledged that an agent had incorrectly told Mr M that he couldn't set up a payment arrangement whilst a complaint was ongoing. Tesco also acknowledged that it had made an error when it sent the previous Final Response by post as it was incorrectly addressed. Tesco offered £100 compensation by way of apology for the incorrect information and for a misunderstanding when Mr M had spoken with a manager on an earlier call.

Mr M remained unhappy and brought his complaint to this service. He is seeking £500 compensation for the termination of the account and wants the account reinstated. Mr M says that if the account can't be reinstated, he wants the balance written off and a refund of all interest he's paid. In relation to the customer service on the calls, Mr M is seeking compensation of £300 as he feels the agent questioned his integrity. In relation to having to chase the Final Response letter, Mr M is seeking £300 for his time and calls.

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 read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Termination of the account

Tesco has acknowledged that a system error meant that the account was incorrectly defaulted and terminated. Mr M has asked for the account to be reinstated but Tesco has explained that once an account has been terminated, this is irreversible. Tesco has offered compensation of £200 for the error.

I've thought about the impact of the error on Mr M and whether the compensation offered is fair and reasonable.

From what I can see, Tesco has already removed the default from Mr M's credit file.

I appreciate that Mr M wants the card reinstated. However, the account has been terminated, and in these circumstances, it isn't possible to do re-open it. It might be possible for Mr M to apply for a new account and card. This would be subject to completing the application process and credit checks and meeting Tesco's lending criteria.

Mr M has requested that all interest applied since the account was opened to be refunded if

the account can't be reinstated. I understand Mr M's frustrations about the account being terminated. However, the interest applied to the account is in relation to spending by Mr M. the terms and conditions of the account – which Mr M agreed to when he took out the card – provide for interest to be applied. I can see that no interest has been applied to the account since January 2023 due to a payment arrangement being in place. Based on what I've seen, I don't think there's any basis for refunding interest, because it has been correctly applied to the balance in line with the terms and conditions of the account.

Customer service

Mr M has complained about a specific call on 22 March 2024 in which he says the agent questioned whether he was telling the truth about not receiving the Final Response letter.

I understand that Mr M feels very strongly about this. He's told this service that he was struggling to get the agent to believe him, and that his self-esteem was affected as a result.

I've listened to the call. Having done so, I can't agree with Mr M that the agent called him a liar. During the conversation, Mr M said he only received the December Final Response in March 2024. The agent said he didn't believe that the issue stemmed from December but that he was reading through the system notes to see what had happened. The agent then confirmed to Mr M that the December Final Response had been re-sent in January 2024 but that there had been an error.

Mr M is seeking compensation of £300 in respect of this aspect of his complaint. As I've said above, I can't agree that the agent called Mr M a liar. I appreciate that the use of the words "I don't believe" might have given rise to a misunderstanding but overall, I think – having regard to the context in which the words were used - it's clear that the agent was trying to identify where the error in sending the Final Response had occurred and trying to explain to Mr M that he didn't think the error happened in December but rather in January.

Mr M has also complained about a further customer service matter, being the incorrect advice given by agent about a further payment arrangement

Tesco has acknowledged that its agent gave Mr M incorrect advice when they told him that he couldn't set up another payment arrangement whilst his complaint was ongoing. It has offered £100 compensation for this and the misunderstanding when Mr M spoke to the agent in March 2024 which I've referred to above.

Final Response letter

The December Final Response letter wasn't received by Mr M until March 2024. Tesco has acknowledged that this was due to an error on its part. I appreciate that Mr M had to contact Tesco several times to chase up the Final Response. He's told this service that he spent a lot of time doing this.

Putting things right

I've carefully considered all the issues about which Mr M has complained. Several errors have been acknowledged by Tesco.

I've thought about whether the compensation (across all three separate complaints) offered by Tesco is fair and reasonable. On balance, I don't think it goes far enough to recognise the impact of the errors on Mr M. There have been several errors in a relatively short period of time which would've caused significant distress and inconvenience to Mr M.

I've thought about what level of compensation would be a fair resolution to all of the complaint points raised by Mr M. Having done so, I agree with the investigator that the sum of £450 is fair and reasonable.

I also agree with the investigator that if Mr M decides to apply for a new Tesco card and is accepted, any credit search should be removed from his credit file. This is because his account was terminated incorrectly, and he shouldn't have his credit file impacted as a result of applying for a new account so he can use the card again.

My final decision

My final decision is that I uphold the complaint. Tesco Personal Finance PLC must:

Pay total compensation of £450 to Mr M to reflect the distress and inconvenience caused by all the errors.

If Mr M successfully re-applies for a Tesco credit card (within one month of the closure of this complaint), Tesco should remove the credit search from his credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 December 2024.

Emma Davy
Ombudsman