

The complaint

Mr and Mrs W are complaining about Tesco Personal Finance PLC trading as Tesco Bank because it defaulted their loan account when they were told they had agreed a repayment plan that would prevent this.

What happened

In 2017, Mr and Mrs W took out a loan with Tesco. Unfortunately, the account fell into arrears and was defaulted in 2023 when Tesco believed they'd fallen behind on a previously agreed repayment plan. After they complained, Tesco accepted it shouldn't have defaulted the account and this was removed. The final response dated 19 January 2024 said the next step was for Mr and Mrs W to contact it to discuss and arrange a new repayment plan for the remaining arrears.

When no contact was received, Tesco sent a default notice on 6 March saying the outstanding arrears needed to be paid by 2 April and that the account may be defaulted if this wasn't done.

Tesco's records show Mr and Mrs W made contact on 15 March and were told they'd need to complete an income and expenditure assessment to establish how much they could afford to pay. Proceedings were put on hold until 20 March to allow them to do this.

When this wasn't done, Tesco issued letter on 8 April confirming the account was being terminated and a default would be registered if the outstanding balance wasn't paid by 14 April.

Mr and Mrs W then contacted Tesco on 11 April and a repayment plan was agreed. The agent they spoke to told them this would prevent the account defaulting. This was incorrect and the account was defaulted because the full balance wasn't paid as set out in the earlier correspondence.

While it maintained the correct process was followed in defaulting the account, Tesco accepted its agent providing misleading information and reduced the outstanding balance by £50 as compensation.

Our investigator recommended the complaint be upheld. She agreed that Tesco was entitled to default the account when it did but felt the impact of its agent's error was such that it should pay a further £100 compensation.

Mr and Mrs W haven't disputed this outcome. Tesco didn't accept it, saying it had already set out in writing what would happen if the balance wasn't paid. Mr and Mrs W should have known this and its agent's error didn't cause significant detriment.

The complaint has now been referred to me for review.

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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

The process for defaulting an account usually begins when there are outstanding arrears of between three and six months and I'm satisfied it provided appropriate written notification of its intentions and how the default could be avoided. Mr and Mrs W didn't pay the amount outstanding by the required date and I'm satisfied Tesco was entitled to default the account when it did.

I appreciate Mr and Mrs W agreed a repayment plan before the 14 April. But this didn't clear the outstanding balance and, as set out in Tesco's letter of 8 April, that meant the account was defaulted.

This notwithstanding, it's accepted that Tesco's agent made an error in telling Mr and Mrs W the agreed repayment plan would avoid this outcome. There's no suggestion they were in a position to repay the required amount at that time if they'd been given the correct information on the phone or that their position was otherwise adversely affected by the agent's error. But I do think they were entitled to place some reliance on what they were told and the later discovery that this wasn't correct would have caused some unnecessary distress and inconvenience. On balance, I don't think the £50 paid by Tesco is adequate compensation.

It's for these reasons that I'm upholding Mr and Mrs W's complaint.

Putting things right

The amount to award for a consumer's distress and inconvenience can be difficult to assess as the same situation can impact different consumers in different ways. But in this case, I'm conscious that Mr and Mrs W appear to have been through a period of financial hardship that meant they couldn't keep up with their repayments and I think this would have been a difficult and stressful time. Against that background, I think it would have been particularly upsetting to find out they hadn't managed to avoid the account being defaulted when they were led to believe otherwise and that compensation of £150 (£100 on top of what's already been paid) is fair and reasonable in the circumstances.

My final decision

My final decision is that I uphold this complaint. Subject to Mr and Mrs W's acceptance, Tesco Personal Finance PLC trading as Tesco Bank should now pay them additional compensation of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 22 October 2024.

James Biles

Ombudsman