

The complaint

Miss S complains that Tesco Personal Finance PLC trading as Tesco Bank (“Tesco”) failed to correctly set up a new direct debit on her credit card account. As a result a monthly repayment was missed, and a late fee charged. And more recently, Miss S complains that despite her following Tesco’s instructions to bring her account back in order, she was notified of further missed payments.

What happened

I issued a provisional decision on this complaint last month. In that decision I explained why I thought the complaint should be upheld and what Tesco needed to do to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Miss S holds a credit card account with Tesco. In February 2024 she called Tesco to request an alteration to the date on which her direct debit would be collected. Tesco agreed to make that change and asked Miss S to make a payment at that time for that month’s minimum payment. It told her that the first payment under the new direct debit would be taken on or around 1 April.

On 6 April Miss S noticed that no payment had been collected and a late fee of £12 had been added to her account. She called Tesco to complain. Tesco noted that there was no direct debit set up on the account. Tesco advised Miss S that she would need to make a manual payment for £45 to reflect her April payment, and a further manual payment of £57 for the payment due on 2 May. It told her that a new direct debit would then be put in place for payments from 1 June. Miss S paid £102 using Tesco’s automated payment system at the conclusion of that call.

When Tesco considered Miss S’s complaint it confirmed to her that its actions wouldn’t have affected her credit file. But it agreed it had made an error in not setting up the direct debit. So it refunded the £12 late fee, and paid Miss S £40 as an apology. Unhappy with that response Miss S brought her complaint to us. She told us that the error had occurred at the same time as the death of a close family member.

Miss S’s complaint has been assessed by one of our investigators. He thought that the compensation Tesco had paid Miss S was insufficient. He thought the error was not due to anything that Miss S had done wrong and had caused her inconvenience at a time of difficulty for her in her personal life. So he asked Tesco to pay an additional £60 (making total compensation of £100) to Miss S.

Tesco didn’t agree with that recommendation. Miss S did accept our investigator’s proposal. But she later made us aware of a further letter she had recently received from Tesco. That letter included a formal “Notice of Sums in Arrears” on her account, and told her that she had failed to make her contractual minimum repayment for the past two months. But Miss S says that after she got in touch with Tesco it confirmed to her that her account was fully up to date, and the letter had been sent in error.

Tesco accepts that it told Miss S it would be setting up her new direct debit to collect her minimum repayment on or around 1 April. So it was entirely reasonable for Miss S to expect that to be done. As I have said earlier, Tesco accepts that it failed to complete the direct debit set up, so I don't think Miss S has any responsibility for the minimum payment not being made on time. I can see that she contacted Tesco as soon as she became aware the minimum payment hadn't been collected. So I think it entirely right that Tesco refunded the missed payment fee it had added to Miss S's account.

Around the time of these problems Miss S was dealing with the death of a close family member. Whilst I entirely accept that Tesco was unaware of that sad news, it did mean that the impact of its error on Miss S was greater. She was needing to deal with an administrative matter caused by Tesco's error, when her time would have been better spent supporting her family. So I don't think the compensation Tesco paid to Miss S of £40 was sufficient here. I agree with our investigator's conclusions that total compensation of £100 for this error would have been appropriate.

But more recently Miss S has made us aware of a further letter she received from Tesco enclosing a formal Notice of Sums in Arrears on her credit card account. I accept that letter didn't form part of the complaint that Miss S referred to us – the letter wasn't sent until several months later. But I am satisfied that the reason for the letter being sent is directly related to this complaint. So I think it fair and reasonable that I should deal with the letter here.

It is clear to me, and I think should have been clear to Tesco, that Miss S rightly places great importance on maintaining an excellent credit rating. Her overwhelming concern when the first missed payment arose from Tesco's error, was to ensure that no adverse information showed on her credit file. So there is little doubt how distressing receiving a formal notice such as this would have been to Miss S.

Miss S says that Tesco has told her that the letter was sent in error. It is clear to me, from listening to the calls that Miss S had with Tesco, that she made each and every payment that Tesco asked her to make – and in fact made one payment well in advance of the deadline that Tesco set her. It was for Tesco to ensure that the payments Miss S made, following its explicit instructions, were correctly recorded on its systems.

So the distress and inconvenience that Miss S experienced from the initial error has been significantly compounded by the further error that Tesco made in not recording her payments correctly on its systems. So I intend to increase the compensation that our investigator recommended for Miss S's distress and inconvenience. And I also intend to direct Tesco to provide Miss S, and me, with a further assurance that no adverse information has been recorded on her credit file as a result of the initial, or subsequent errors.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Miss S says she has nothing more to add. Tesco has sent some additional information explaining why it doesn't agree with my provisional findings. Although here I am only summarising that response, I want to reassure Tesco that I have read, and carefully considered, the entire response.

Tesco says that it would have been unaware at the time of the difficult personal circumstances Miss S was facing around the time of these problems. It says it is required to send the Notice of Sums in Arrears ("NOSIA") to customers even if there had been an error, and the arrears only persisted for a short period of time. So it doesn't think me awarding additional compensation for that notice is reasonable.

Tesco says that, when Miss S contacted it about the NOSIA it reassured her that there would be no impact on her credit file. And it says that in any case those problems arose after it had issued its final response letter on this complaint. So Tesco doesn't think it reasonable that I deal with that aspect of the complaint here, and that Miss S should instead make an additional complaint to the firm. It thinks the compensation I am directing is based on hindsight, and should instead be based on the knowledge Tesco had at the time.

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 I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Miss S and by Tesco. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I set out in my provisional decision why I thought it right that I should deal here with the NOSIA that was sent to Miss S. That NOSIA was sent as a direct result of the failings that underpin this complaint. If Tesco had advised Miss S correctly, and applied the payments that she had made as it said it would, there would have been no need for a NOSIA to be issued. So I will continue to deal with that matter here.

The compensation that I am directing Tesco to pay is for the distress and inconvenience that Miss S was caused by its actions and errors. The impact of any error might have entirely different consequences for different consumers. So it is right that any compensation I direct takes into account those personal circumstances. Here Miss S was already facing some challenging personal circumstances that were made worse by needing to deal with Tesco's error. And, given Miss S's very clear desire to ensure her credit record remained in perfect order, the distress the NOSIA would have caused to her would be far greater than someone with an already impaired credit record. I need to take all those factors into account when deciding what I think is fair and reasonable here.

By its nature, any measure of the distress and inconvenience caused to a consumer will be retrospective. I am clearly not making a finding here that Tesco's actions were deliberate and intended to cause distress or inconvenience to Miss S – if that were the case the compensation I might award would be far higher. Instead I have found that Tesco did make inadvertent errors – that it shouldn't have – and that those errors had an impact on Miss S.

By looking at that impact, and taking account of the wider circumstances I've set out above, I can reach what I think is a fair amount of compensation.

I am pleased that Tesco has repeated its assurances that there will be no impact to Miss S's credit file as a result of its errors. So I don't think there is anything further it needs to do in that regard. But I still think that the compensation I set out in my provisional decision, and that I repeat below for clarity, remains appropriate.

Putting things right

In order to put things right Tesco should pay Miss S total compensation of £250 to reflect the distress and inconvenience she has been caused by the failure to set up her direct debit, and the subsequent sending of the Notice of Sums in Arrears letter. Tesco may deduct from that compensation any amount it has already paid to Miss S in relation to this complaint (excluding the refund of any late payment charges).

My final decision

My final decision is that I uphold Miss S's complaint and direct Tesco Personal Finance PLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 10 October 2024.

Paul Reilly
Ombudsman