

The complaint

Mr R complains that Tesco Personal Finance PLC trading as Tesco Bank sent him a Notice of Sums in Arrears letter even though he'd set up a direct debit for his monthly minimum payment.

What happened

Mr R holds a Tesco Bank credit card.

On 21 June 2024 Tesco Bank sent a letter to Mr R enclosing a Notice of Sums in Arrears (NOSIA). The letter stated that Mr R hadn't paid his minimum payment on time for the last two months.

Mr R complained to Tesco Bank. He said there was a direct debit set up on the account for the minimum monthly payment but that it wasn't collected for two months due to the status of the account. Mr R said he was concerned that the NOSIA would impact his credit file.

Tesco Bank didn't uphold the complaint. It said the NOSIA letter had been correctly sent to Mr R because they hadn't received the minimum payment to the account for two consecutive months. Tesco Bank said that it could see that Mr R had a minimum payment direct debit in place but that it didn't collect for two months due to refunds being applied to the account which covered the full statement balance. Tesco Bank said refunds didn't count towards the minimum payment and that a manual payment would be required in this case. Tesco Bank said it understood that this may have been a genuine oversight. It confirmed that nothing had been reported to his credit file and paid £25 compensation as a gesture of goodwill.

Mr R remained unhappy and brought his complaint to this service. He said that he didn't think the NOSIA letter should've been sent because he was never in arrears. He also said that if a minimum payment was needed then it should've been collected. Mr R said he felt that Tesco had made an error by not collecting the payment and sending the letter and that they should've upheld his complaint.

Our investigator didn't uphold the complaint. She said the terms and conditions of the account stated that the customer must make the minimum payment each month and that refunds to the account don't count towards the minimum payment. The investigator said that the automated system meant that the direct debits weren't taken as the account balance had been cleared by refunds, and that Tesco Bank was obliged to send an arrears letter after two months of no minimum payments being received. The investigator said that there hadn't been a banking error and that the systems had operated correctly even though the arrears letter was triggered by an unlikely series of events.

Mr R didn't agree. He said he disagreed that the arrears letter could be said to have been sent correctly when there were no arrears on his account.

Because Mr R didn't agree I've been asked to review the complaint.

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 know it will disappoint Mr R, but I agree with the investigators opinion. I'll explain why.

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.

I've reviewed the account history. I can see that Tesco Bank issued a statement dated 21 April 2024 with a minimum payment of £25 due by 16 May 2024. No payment was received, but a series of refunds were received by Mr R which cleared his account balance.

Tesco Bank issued a statement the following month dated 21 May 2024 with a minimum payment of £25 due by 15 June 2024. No payment was received but Mr R received enough refunds to clear the account balance.

On 21 June 2024 Tesco Bank sent a NOSIA letter to Mr R explaining that it hadn't received his minimum payment for the last two months.

I've thought about whether Tesco Bank made an error when it sent the NOSIA. In doing so, I've had regard to the terms and conditions of the account. I've also had regard to the relevant obligations and regulations that Tesco Bank has to operate under.

The terms and conditions of the account state (under Section 3 – Paying Your Bill) that a customer must pay their scheduled minimum payment each month and refunds to the account do not count towards the minimum payment. So, in this case, because Mr R didn't pay the minimum payment for two months, the account was in arrears of payments due (although there were no actual arrears because of the refunds which had been credited to the account). I appreciate that Mr R didn't deliberately not make the minimum payment for these two months. The direct debit didn't collect for these two months because the account balance had been cleared by the refunds. However, I think it's fair to say that Mr R would've been aware that his direct debit hadn't been collected for each of the two months and he knew – or ought to have known – that the terms and conditions of the account required him to make the minimum payment each month irrespective of any refunds.

Tesco Bank – like all other banks – has an obligation to send a NOSIA letter when it hasn't received the minimum payment from a customer for two consecutive statement periods. In this case, Mr R hadn't made a payment in respect of the April and May statements. So I don't think Tesco Bank made an error when it sent the NOSIA letter.

I appreciate that Mr R feels strongly about this. I understand his concerns about his credit file. Tesco Bank has confirmed that nothing was reported to the credit reference agencies, so Mr R's credit file won't have been impacted.

I also appreciate the point that Mr R has made about there being no arrears. Whilst I accept that there was no balance on the account, there were arrears of the minimum monthly payment because Mr R was obliged to pay this under the terms and conditions of the account. I do accept that the series of events which led to these circumstances was unusual and would've caused Mr R some confusion and concern. I think Tesco Bank acted fairly in paying £25 compensation as a gesture of goodwill.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 November 2024.

Emma Davy
Ombudsman