

## The complaint

X complains that Tesco Personal Finance Limited trading as Tesco Credit Card (Tesco) added a late payment mark to his credit file.

## What happened

*X had a credit card from Tesco.* He had a direct debit operating which was set to clear the full balance each month. Then the following events took place:

### Statement dated 12 May 2024:

The previous month's balance of £124 had been paid by the direct debit – on 2 May 2024.

The new statement balance was £24. This was to be paid by 6 June 2024 by direct debit.

### Statement dated 12 June 2024:

This showed the direct debit payment was reversed and not made – on 1 June 2024. A faster payment of £24 was then made by X on 6 June 2024; and a direct debit payment was also taken on 12 June 2024 – also for £24.

The new balance was £90.02 – the June statement said the minimum payment was £25 - to be paid by 7 July 2024.

On 12 June 2024, X cancelled the direct debit on his mobile app.

On 9 July 2024, X set up the direct debit again on his mobile app – to take the full balance.

### Statement dated 12 July 2024:

This showed no payment was received (due by 7 July 2024). A late payment fee of £12 was debited.

The new balance was £172.35 – to be collected by direct debit on 1 August 2024.

### Statement dated 12 August 2024:

The direct debit collected the balance (then £169.02 after a refund of interest £3.33) on 1 August 2024.

### Tesco wrote letters to X as follows:

4 June 2024 – to say the direct debit had been returned unpaid.

12 July 2024 – to say a late payment fee of £12 had been debited.

30 July 2024 – to say the payment of £25 hadn't been paid.

Tesco added a late payment mark to X's credit file for the month of July.

*X's complaint:*

X complained. He said the late payment mark was unfair. He had been misled on the phone when he called Tesco; and the general service had been poor. He says the late payment mark had affected his credit rating and it should be deleted.

*Tesco sent two final responses which said:*

*First response (12 July 2024):*

- The June statement said a minimum payment of £25 was needed by 7 July 2024. X cancelled his direct debit at that point, and the payment wasn't made, so a late payment fee was debited. It was then refunded after X spoke to the bank on 9 July 2024.
- The direct debit was then set up again on 9 July 2024.
- When setting up the direct debit again on the mobile app, there is a 'green tick' on the final screen to show that a manual payment was required. But this may not have been clear. For this, Tesco made a compensation payment of £25.

*Second response (18 July 2024):*

Tesco said some points had been missed on its first response and said:

- The late payment fee hadn't made a difference to X's credit score.
- On the call on 9 July 2024, they made some errors, including saying the refund of the late payment fee would return X's credit score to its previous level.
- The direct debit payment due on 7 July 2024 wasn't collected as it had been cancelled on 12 June 2024 on the mobile app.
- The direct debit had then been set up again on 9 July 2024 – to pay the full balance. But - when a direct debit is set up, it takes 5/6 days to process and then take payment. So the direct debit couldn't take the payment due by 7 July 2024.
- So, Tesco said to X that a manual payment of £25 needed to be paid by 31 July 2024. Otherwise, the late payment would be reported to the credit reference agencies (CRAs).
- The interest of £3.33 was refunded.
- Tesco made a further payment of compensation of £50 but didn't remove the late payment mark from X's credit file – the bank said it had been applied correctly.

*X brought his complaint to us and our investigator didn't uphold it.* She said Tesco clearly advised X to pay £25 by 31 July 2024, but he hadn't. And therefore the late payment mark was correct.

While X had said he had been misled on the phone when he reinstated the direct debit on 9 July 2024 – this wasn't instant and so could never have been used to collect the payment due by 7 July 2024.

The total payment of compensation of £75 was a fair way to deal with X's complaint in her view.

X didn't agree. He said all the calls with Tesco should be listened to – as he had been misled. He asked that an ombudsman look at his 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.

The crux of this complaint comes down to:

- Why X cancelled his direct debit on 12 June 2024.
- Why he then set it up again on 9 July 2024 and what he thought would then happen – as he probably thought it would then operate to take the payment due in July (by 7 July 2024).
- Whether Tesco's communications were clear enough about what he needed to do.

#### *Why X cancelled the direct debit on 12 June 2024:*

I listened to the calls between X and Tesco on 9 July 2024. These took place after the cancellation of the direct debit on 12 June 2024. Tesco told us there weren't any calls prior to 9 July 2024. So, it isn't clear to me why X cancelled the direct debit on 12 June 2024. I noted that in his email to Tesco on 19 August 2024, X said he didn't cancel the direct debit.

So, I asked Tesco for evidence that X cancelled the direct debit on 12 June 2024 – and they showed us evidence that X cancelled the direct debit on his mobile app on 12 June 2024. I don't know why X did that. I asked for any calls between X and Tesco during April 2024, May 2024 and June 2024 – and there weren't any, so X didn't ask Tesco to cancel the direct debit.

So – the evidence is that X cancelled the direct debit himself, and I can't reasonably hold Tesco responsible for that.

#### *Direct debit set up again on 9 July 2024:*

I listened to the four calls between X and Tesco on 9 July 2024 – on one call, Tesco's call handler refunded the late payment fee of £12. Unfortunately – the call handler simply refunded the late payment fee, rather than looking into what had happened, and why.

The call handler also said X's credit score would be corrected by the refund of the late payment fee – which wasn't correct. Tesco have apologized for that error and paid compensation, so that is a fair way to deal with that mistake.

But on the call, I didn't find any evidence that Tesco misled X as he claims – for example, the bank did not tell X that he didn't need to make a payment in July 2024.

X set up the direct debit again on 9 July 2024. But to set up a direct debit on that date could never have meant it could take a payment due two days earlier – 7 July. As Tesco have explained it takes a few days for the direct debit to become operative again, and in any case I don't think X could reasonably have expected the direct debit to make a payment that was due two days before.

### *Tesco's communications:*

I looked at Tesco's monthly statements – they set out what the minimum payment was and its due date.

The statement dated 12 May 2024 said *"we will collect your full balance direct debit of £xx by xx or soon after"* – and I guess all previous statements would also have said that while the direct debit was operating.

But then the statement dated 12 June 2024 said *"your minimum payment should reach your account by 7 July 2024..."* So, the wording slightly (but significantly) changed – as it didn't refer to a direct debit.

The statement dated 12 July 2024 then reverted to the original wording – as by then, the direct debit had been set up again by X.

Tesco's second final response (dated 18 July 2024) was clear as it stated: *"it's important to make a manual payment of at least £25 before 31 July 2024...if no payment is received by 31 July, then we will be reporting to the CRAs that there has been a missed payment as there wouldn't have been any payment received in July..."*

And – X didn't make that payment as Tesco had advised him to.

So, even accepting some of the service failings by Tesco, the bank did clearly tell X what he needed to do to avoid the late payment marker – but he didn't make the payment. And – I can't hold Tesco responsible for that.

All banks (including Tesco) must report accurate information to the credit reference agencies – and that's what Tesco did here. I can only ask Tesco to remove the late payment mark on X's credit file if the bank made an error – and there's no evidence they did.

X has said his credit score reduced because of what happened. Tesco said his score couldn't have been affected by the late payment fee. That's correct – as this was debited and refunded in July 2024 and Tesco didn't report any information to the CRAs until the end of July 2024.

But it is fair to say that the late payment mark added at the end of July is likely to affect his credit score – although I must also say that a credit score is affected by many other factors – such as the other information sent to the CRAs by X's other banks and lenders, not only Tesco. And as the late payment mark is correct in this instance, I am not proposing to ask Tesco to remove it.

I considered whether Tesco should pay more compensation – the bank paid £75 for the error on the call on 9 July 2024, and for the fact that the website wasn't very clear that X needed to make a manual payment.

But that doesn't mean that Tesco should delete the late payment mark from X's credit file, and I consider that the payments already made are enough to deal with X's complaint.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 10 March 2025.

Martin Lord  
**Ombudsman**