

The complaint

Mrs W complains that Tesco Personal Finance PLC defaulted her account even though she was making regular monthly payments.

What happened

Mrs W says she missed a payment due to financial difficulties and Tesco defaulted her account. She says her difficulties were not taken seriously and she is confused as to why her account was defaulted when she was paying £50 per month. Mrs W says she'd like the default removed.

Tesco says that, in 2023, Mrs W made no payments for four of the months and less than the contractual payment for a further three months. It says this left her with arrears of £1,402.24 by the time it sent her a default notice on 11 December 2023. Tesco says it heard nothing further from Mrs W and so a termination notice was sent on 12 January 2024 resulting in the account defaulting on 22 January 2024. Tesco says a repayment plan of £58 per month was subsequently set up, but that this was after the default had been applied. However, it says Mrs W was given confusing information during a call in September 2024 and sent her £30 for this.

Our investigator did not recommend the complaint should be upheld. He found that Mrs W had originally agreed to a repayment plan in November 2023, but that she failed to make the first payment on 30 November 2023. He said it was reasonable for Tesco to have initiated the default process shortly after the missed payment and couldn't conclude it had made any errors in doing so.

Mrs W responded to say, in summary, that she had been working closely with Tesco since being made redundant and needed to support her daughter with accommodation costs whilst at university. She said she was making regular payments and paid additional sums where she could. Mrs W added that Tesco agreed to put her account on hold in October 2023 and that she completed a financial statement in early January 2024 which Tesco accepted. She said she is now in a better place financially, as she has a new job, and her daughter has left university.

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 can see Mrs W's payments were sporadic throughout 2023 and, in August of that year Tesco agreed to put a hold on her account. By the time Tesco wrote to Mrs W on 25

September 2023, her arrears stood at £953.90 with the hold due to come to an end on 1 October 2023.

Between then and the end of October 2023, Mrs W made five further payments totalling £598 and she then called Tesco on 1 November 2023 with a view to begin clearing her remaining arrears of £704.67. I've listened to the call and a repayment plan was set up for Mrs W to make her contractual payment of £348.78 on 30 November 2023. This was to be followed by three monthly payments of £583.67 and the consequences of non-payment were explained to Mrs W.

Mrs W did not make the expected payment on 30 November 2023 and made no further contact with Tesco in that time, so a default notice was issued on 11 December 2023. It said, *"To remedy your breach of the agreement, you must pay the arrears of £1402.24 by 07 Jan 2024"*. It went on to outline what further action may be taken if this did not happen, including reporting a default to credit reference agencies.

I can see that Mrs W paid £500 on 28 December 2023, but as she made no further contact with Tesco, and this did not adhere to the terms of the default notice, it issued a termination notice on 12 January 2024. This said the balance needed to be paid in full by 18 January 2024 or the account would be reported as defaulted. It also gave Mrs W the option of setting up a repayment plan, but as neither of these things happened, Tesco defaulted her account on 22 January 2024.

I acknowledge that Mrs W said she set up a repayment plan online on 6 January 2024, but I've seen no evidence of this. Indeed, I've listened to the call Mrs W made to Tesco on 25 January 2024 where she says she set up a repayment plan on 23 January. I've also seen the email from Tesco dated 23 January 2024 where it confirms Mrs W has completed the budget calculator. However, both the repayment plan and the call are after the account had already defaulted.

In conclusion I can't agree that Tesco made a mistake when it registered a default on Mrs W's account and so I won't be asking it to remove it.

It is worth noting that, even if Tesco had not defaulted Mrs W's account in January 2024, I consider it likely that the account would have defaulted at a later date. I say that because:

- Repayment plans are to be used as short-term resolutions for temporary financial difficulties;
- Any arrears need to be repaid over a "reasonable" period of time;
- A customer needs to be able to revert to the contractual repayments following the end of any repayment arrangements.

I can see that Mrs W continued to pay £50 or £60 per month throughout 2024 and into 2025, with a missed payment in December 2024. As this is significantly less than her contractual payment of £348.78 per month, Mrs W's arrears have continued to increase, and I find it more likely than not that her account would still have defaulted. This would have been detrimental to Mrs W as a default stays on a credit file for six years.

In summary, although I sympathise with the circumstances in which Mrs W found herself, I don't find Tesco did anything wrong by registering a default on her account when it did.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 23 April 2025.

Amanda Williams
Ombudsman