

The complaint

Mr W complains that Tesco Personal Finance Limited, trading as Tesco Bank, has suspended his credit card account.

What happened

Tesco Bank suspended Mr W's credit card account in July 2024. It said that Mr W had persistent debt but hadn't set up a payment plan, as requested, to clear his credit card balance so his card had been suspended. Mr W phoned Tesco Bank about the suspension later that month and he then complained to it about how the phone call was handled and the suspension of his credit card.

Tesco Bank said that it couldn't identify any error with the blocking of Mr W's card due to the persistent debt rules or any error in writing to him regarding those rules but it upheld his complaint about the handling of the phone call. It apologised for that and paid £50 to Mr W's bank account. Mr W then complained to this service about the suspension of his credit card.

Mr W's complaint was looked at by one of this service's investigators who didn't recommend that it should be upheld. He said that he'd reviewed all the evidence from both sides and had found that Tesco Bank hadn't done anything wrong so he wasn't asking it to do anything different.

Mr W didn't accept the investigator's recommendation and has asked for his complaint to be considered by an ombudsman. He's provided detailed responses to the investigator's recommendation and has provided information about his credit card payments. He says, in summary and amongst other things, that: Tesco Bank has breached the regulations issued by the Financial Conduct Authority ("FCA") and this service should look at the whole case to see if Tesco Bank's actions are within those regulations and fair and appropriate to its customers; two other credit card providers have dealt with his credit card debts differently; and that Tesco Bank's business has been transferred to another bank and an acceptable outcome would be for him to have his credit card account reinstated,

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.

Tesco Bank says that it considered that Mr W's credit card account had been in persistent debt in accordance with the FCA regulations on persistent debt. It says that since December 2022 it had asked him to increase his monthly repayments, if affordable, but he didn't increase his payments so the risk of falling further into persistent debt continued. It says that it asked him for a one-off payment of £689.34 in May 2024 to support him out of persistent debt and to avoid an account suspension but he didn't make that payment so it offered him some payment plan options but he didn't agree to them so it suspended his account.

Tesco Bank sent Mr W a letter in July 2024 which said:

"We wrote to you last month about setting up a payment plan to clear your credit card balance. As you haven't set up a plan, your card has now been suspended. We've done this to help you avoid increasing your balance further".

It also said that he needed to set up a payment plan to start repaying his card balance in four years or less. Mr W complained to Tesco Bank about the suspension of his account and it said that it was unable to remove the block from his card and, when the balance had been repaid in full, it would conduct a review and determine if it could provide him with another card.

Mr W contacted the FCA about the suspension of his account. It said:

"I've searched the FCA handbook which has all the rules and guidance we expect regulated firms to adhere to. I've been unable to locate any specific rules regarding firms freezing accounts or restricting/suspending accounts. It would be a commercial decision from the firm. We do expect firms to treat customers fairly (principle 6) so you took the right steps to complain if you felt the firm treated you unfairly".

The FCA has issued rules and guidance to help customers in persistent credit card debt and to require firms to intervene earlier to identify customers at risk of financial difficulties. Its response to Mr W says that it had been unable to locate any specific rules regarding firms freezing accounts or restricting/suspending accounts and that it would be a commercial decision from the firm. It's the commercial decision made by Tesco Bank to suspend his account that Mr W is complaining about.

He also says that two other credit card providers have dealt with his debt differently and he's provided a spreadsheet containing information about his payments to Tesco Bank. Mr W's complaint is about Tesco Bank so in this decision I'm only considering whether Tesco Bank has acted fairly and reasonably.

Tesco Bank is required to identify customers who are in persistent credit card debt and to then take appropriate steps to try to deal with their persistent debt. I'm not persuaded that there's enough evidence to show that Tesco Bank was wrong to identify Mr W as being in persistent credit card debt or that the actions that it has taken to deal with his debt since December 2022 weren't fair or reasonable. Mr W was asked to increase his payments, then to make a one-off payment and then to set up a payment plan, but he didn't do any of those things and I consider that it was fair and reasonable for Tesco Bank to then suspend his credit card account.

It's clear that Mr W feels very strongly that Tesco Bank acted unfairly and unreasonably when it suspended his account so I appreciate that my decision will be disappointing for him. I'm not persuaded that there's enough evidence to show that Tesco Bank acted incorrectly when it suspended Mr W's credit card account and I find that it wouldn't be fair or reasonable in these circumstances for me to require Tesco Bank (or the bank to which Tesco Bank's business has been transferred) to reinstate Mr W's credit card account or to take any other action in response to his complaint.

My final decision

My decision is that I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 April 2025.

Jarrold Hastings
Ombudsman