

## **The complaint**

Miss B complains that Tesco Personal Finance Limited trading as Tesco Bank ('Tesco') unfairly defaulted her credit card account.

Miss B wants the default to be removed from her credit file.

## **What happened**

Miss B was in arrears with her credit card repayments in October 2023 and Tesco defaulted her account in June 2024.

Miss B complained to Tesco that this wasn't fair as she hadn't received the default notice and didn't have the opportunity to avoid the default before it was reported.

Tesco didn't uphold Miss B's complaint, so she referred it to the Financial Ombudsman Service. Our investigator didn't think that Tesco had acted unfairly in these circumstances, by sending notices by post and defaulting the account in line with industry guidance. Our investigator considered the default was unavoidable, as it wasn't likely Miss B could have paid what was due.

Miss B didn't agree and raised concerns that the Financial Ombudsman Service was too quick to side with Tesco and had made assumptions about her ability to pay. She said Tesco were under an obligation to verbally inform her of what was happening so that she could take proportionate action to avoid a default.

## **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've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

Having done so I've reached the same conclusion as our investigator, for broadly the same reasons.

The Financial Ombudsman Service has a two-stage process and I want to reassure Miss B that my investigation of her complaint is independent. There is no incentive for me to side with our investigator, or with one party over another.

Where something's unknown, I can reach my decision on the balance of probabilities. In other words, this means I can base my decision on what I think is more likely than not to have happened given the available evidence and the wider circumstances.

At the heart of this complaint is Miss B's concern that the default isn't fair as she wasn't given the opportunity to avoid it.

I think Tesco sufficiently notified Miss B of the risk of her account defaulting through correspondence sent by email and post. Between October 2023 and April 2024 Tesco sent Miss B nine letters about her arrears.

I'm satisfied that Miss B's default notice was correctly addressed and sent to her via Royal Mail in May 2024. It's not always possible to get to the bottom of why post isn't received, or arrives later than expected, but I can't reasonably hold Tesco responsible for this.

I don't agree with Miss B that Tesco were under an obligation to directly speak to her about her default notice in these circumstances. Their obligation was to serve written notice in the prescribed form required by the Consumer Credit Act 1974.

In order to avoid the default on her account Miss B would have needed to pay £542.34 by 9 June 2024 and maintain her account going forwards. The evidence I've seen leads me to conclude it's unlikely Miss B would have been able to do this, had she received the default notice.

I say this because Miss B was struggling to meet the minimum payments on her account. I've looked at Miss B's statements from October 2023 onwards. The minimum payment was £498.99 in January 2024, £419.29 in February 2024, £388.93 in March 2024 and £602.34 in April 2024. I can see that Miss B made a payment of £250 in January 2024 and then paid £150 in April 2024, but nothing in between.

I'm therefore satisfied Miss B was aware she was in breach of her contractual obligation to make payments. I think it's likely Miss B was aware from Tesco's terms and conditions, statements and correspondence that this would be reflected negatively on her credit file and may lead to a default.

I've considered Tesco's responsibilities here, in terms of responsible lending and how they treat customers in arrears, and they've done what I'd expect. I can see from correspondence that Tesco identified Miss B was in persistent debt and they invited Miss B to contact them about making a payment plan. I also note Tesco blocked the use of Miss B's card in April 2024. However, I can't see that Miss B contacted Tesco to make an arrangement or to discuss the management of her account until after she received the notice of termination.

The Information Commissioner's Office gives guidance that firms should typically report a default to the Credit Reference Agencies when an account is three to six months in arrears. I think Tesco have acted in line with this guidance, and fairly gave Miss B an opportunity to address her arrears before defaulting her account.

I know this will be a disappointment to Miss B, but I don't think Tesco have treated her unfairly in these circumstances and so I won't ask them to take any action here.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 27 May 2025.

Clare Burgess-Cade  
**Ombudsman**