

The complaint

Mr K is unhappy that Tesco Personal Finance Limited ('Tesco') took a direct debit payment when he'd already paid his credit card bill.

Mr K complains Tesco won't clearly explain why this happened.

What happened

Mr K received his credit card statement which asked for a minimum payment of £25 by 3 September 2024. Mr K paid £528.51 on 27 August 2024.

Tesco took a direct debit for Mr K's minimum payment on 3 September 2024, but this was for £8.99.

Mr K complained because he'd paid more than his statement balance. He asked why a direct debit had been taken, and why it was for £8.99.

Tesco didn't uphold Mr K's complaint. Tesco said the direct debit was correct. However, they paid Mr K £25 compensation for problems he'd had making a complaint.

Mr K was unhappy and referred his complaint to the Financial Ombudsman Service. He said his personal situation meant this had been very worrying for him.

My provisional decision

I recently sent the parties my provisional decision. This is what I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

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

I intend to say that Tesco didn't communicate fairly with Mr K about his direct debit and Tesco should pay Mr K a further £50 to fairly recognise this.

The direct debit

I've looked at Mr K's statements and terms and conditions. I don't think Tesco made an error with the direct debit.

I say this because:

- Tesco say a direct debit will be taken if there's a balance on an account.

- The terms of the account say Mr K's minimum payment would be £25 or his full balance if less.
- Mr K's credit card statements say the direct debit amount can change if payments are made.
- By 3 September 2024 Mr K had paid more than his credit card statement balance for that month.
- But when Tesco processed the direct debit, Mr K's full account balance was £8.99.
- So, Tesco took a minimum payment of £8.99 instead of £25.

I know Mr K thinks this is unfair. He's said the £8.99 wasn't due until the next month and Tesco took his money early.

I'm not minded to agree that this is unfair. I say this because Tesco calculate the minimum payment from the balance of the whole account, not the statement balance.

Tesco's communication

The Financial Conduct Authority expects Tesco to communicate with Mr K in a way which is clear, fair and not misleading.

I've listened to the call Mr K had with Tesco on 4 September 2024.

Tesco's agent said:

"The reason why you've not seen a direct debit come out of your account is because when you've been paying your full balance there's been no balance left for the direct debit to come out.

The time that you've paid your full balance this month, the agent explained to me that there was still a possible balance left which then took out £8.99."

I'm minded to say Tesco were unclear about why Mr K's direct debit was taken when he'd paid more than his statement balance. I think Tesco caused Mr K more confusion instead of enabling his understanding.

I think it would have helped Mr K to know that his minimum payment was based on the full account balance, not his statement balance. As his full account balance was £8.99, that was the amount taken by the direct debit.

I'm inclined to say Tesco's communication caused Mr K avoidable distress and inconvenience. Mr K was upset that he didn't get a clear answer from Tesco, and he had to complain to find out why £8.99 was taken.

I know it was important for Mr K to understand his account so he could manage his finances and maintain his mental health. Mr K told Tesco about this when he complained, although it's not clear if Tesco already knew of Mr K's personal circumstances.

I am aware Tesco paid £25 to Mr K because he had difficulty making his complaint. I intend to say Tesco should pay a further £50 to Mr K, so £75 in total. I'm inclined to say that this would be a fair and reasonable sum in these circumstances."

Responses to my provisional decision

Mr K said he thought it was insulting to refer to his terms and conditions, given his dyslexia.

Mr K said a further £50 isn't enough for the confusion and distress Tesco caused him, as Tesco knew about his personal circumstances surrounding his mental health. Mr K said Tesco were responsible for explaining why they'd taken his direct debit and even their agents were confused during the phone calls.

Tesco said it wasn't fair to increase Mr K's compensation and asked me to reconsider.

Tesco said their agent couldn't give a full, clear explanation for the direct debit as she was unsure, but Mr K should have waited for their agent to find the answer. Tesco said Mr K had been given a clear explanation for the direct debit after he complained.

Tesco confirmed they became aware of Mr K's personal circumstances during the call on 5 September 2024 and they'd recorded this on their system.

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.

Having considered the responses from both parties, I have decided to uphold Mr K's complaint for the same reasons as I gave in my provisional decision.

I am sorry if referring to terms and conditions was insulting to Mr K, this wasn't my intention. Mr K's terms and conditions set out what Mr K could expect from Tesco, and what Tesco could expect from Mr K. I considered these so I could decide if Mr K was treated fairly.

I'm satisfied from the evidence I've seen that Tesco weren't aware of Mr K's personal circumstances until he raised his complaint on 5 September 2024. I would only expect Tesco to change how they interact with someone if they are aware of a need to do this.

However I think Tesco's communication with Mr K on 4 September 2024 fell short of what was expected and Mr K wasn't treated fairly. Tesco accepted that their agent hadn't provided a full clear explanation for the direct debit and said that their agent was unsure of the answer.

I don't think it is reasonable to expect Mr K to have waited longer for a clear answer, as he'd already waited 14 minutes. Tesco's agent had checked the answer with someone else and had not given Mr K a clear explanation. I think this was confusing and upsetting for Mr K.

I think it's fair for Tesco to pay Mr K a further £50 (so £75 in total). I think this fairly reflects that Mr K had unclear information from Tesco and had to raise a complaint for a clear explanation for the direct debit.

Putting things right

Tesco Personal Finance Limited must pay Mr K a further £50 for his distress and inconvenience (bringing his compensation to £75 in total).

My final decision

For the reasons I've outlined, I uphold this complaint and Tesco Personal Finance Limited must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 July 2025.

Clare Burgess-Cade
Ombudsman