

## The complaint

Mr L is unhappy with Barclays Bank UK PLC, trading as Tesco Bank (Tesco) and how they did not notify him that a default against his credit card account would be reported to his credit file.

## What happened

I issued my provisional decision to both parties explaining why I thought Mr L's complaint should not be upheld and invited both parties to provide any further evidence and / or submissions in reply.

The background to this complaint was set out in my provisional decision together with my provisional findings which are copied below and now form part of this final decision.

### Background

*Due to the pandemic Mr L found himself struggling to meet his financial commitments, including those towards his Tesco credit card.*

*On 4 October 2021 Tesco confirmed a repayment plan for Mr L to pay £50 each month for the next six months. At the same time Tesco let Mr L know that a Notice of Default followed by a Termination Notice would shortly be issued to him. They told Mr L that his account would be reported to the credit reference agencies (CRAs) as defaulted.*

*The account was reported as defaulted on 9 November 2021.*

*For the majority of the months and years that followed Mr L paid £50 per month towards the outstanding balance, until in late 2023 he let Tesco know he would be able to make some larger lump sum payments to significantly bring the account balance down.*

*Mr L paid £900 to the outstanding balance in October 2023, and another £900 to the outstanding balance in November 2023, leaving a sum of £97.42. Following payments in February 2024, March 2024 and April 2024 Mr L cleared the bulk of the remaining balance and Tesco 'wrote off' the 42 pence that remained.*

*Our Investigator looked into things and clarified that Mr L's complaint was about the Tesco credit card account and not a credit card held with another part of the Barclays group.*

*The Investigator concluded Mr L had been given notice that a default was to be reported and that it was fair of Tesco to record a default given Mr L had missed a number of contractual payments.*

*Mr L did not accept the Investigator's findings stating that certain points had not been properly considered amongst which included his non-receipt of the default notice and that Tesco had told him during a call that there was no record of the Notice of Default being sent to him. Mr L referenced £100 compensation that had been offered to him because of misinformation.*

*The Investigator clarified the £100 compensation had been offered in respect of issues with the other credit card and was not something that had been offered in relation to the Tesco credit card.*

### Provisional findings

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

*Above is only a summary of what's happened here, but I assure both parties I've reviewed all the available evidence and submissions, including phone call recordings. And while I may not respond to each individual point raised by either party, this is because I have concentrated on those parts of the case I consider relevant to achieving a fair and reasonable resolution for both parties.*

*To be clear the matter for me to consider relates to Mr L's concerns about the default placed against his Tesco credit card and nothing else. This is therefore what I have focused my decision on, and I agree with our Investigator that the offer of compensation for £100 relates to a different credit card and is not to do with this matter - I therefore make no further reference to it.*

*Driving Mr L's complaint is that he was not told his Tesco credit card would be reported as defaulted to the CRAs and that he was told by Tesco during a call that he wasn't sent a Notice of Default.*

*In light of Mr L's concerns I've considered what most likely happened in terms of the communications from Tesco to Mr L about the Notice of Default.*

*Where the evidence is incomplete, inconclusive or contradictory I reach my decision on the balance of probabilities – which, in other words, means I've based it on what I think is more likely than not to have happened given the available evidence and the wider circumstances.*

*Having reviewed everything available to me, I think the Notice of Default was more likely than not sent to Mr L for the following reasons.*

- *There is a copy of the letter, it is correctly addressed and it was sent to the same place Mr L had received other correspondence from Tesco. In the circumstances it would be unreasonable to hold Tesco responsible for any problems there may or may not have been with the postal service.*
- *Tesco's internal notes appear to support correspondence was sent to Mr L on the day the Notice of Default was sent.*
- *Although I recognise Mr L feels strongly that during his phone call with Tesco they told him the Notice of Default had not been sent, in the call I've listened to Tesco later in the same call confirmed - after checking a different system - that the notice had been sent.*

*So, I've not seen enough to persuade me that Mr L did not receive the Notice of Default.*

*An account being reported as defaulted has a significant impact on a person's credit file, so I understand the importance of this for Mr L given the financial difficulties he experienced as a result of the pandemic. I have no doubt this was not an easy time for him.*

*I've therefore also considered whether Tesco were entitled to report a default about Mr L's account and whether, in the circumstances, it was fair of them to do so.*

*The Information Commissioner's Office (ICO) which upholds information rights in the interest of the public provides guidance for the reporting of defaults. The ICO explain if an expected payment is not made by the agreed time and / or for the agreed amount, the account can be reported as being in arrears. The ICO goes on to explain a default may be recorded when an account is three months in arrears and normally by the time the account is six months in arrears. The financial regulator's (the Financial Conduct Authority (FCA)) handbook of rules and guidance explains arrears are recognised as any shortfall in one or more payment due from a customer.*

*By the time Tesco reported Mr L's account as defaulted to the CRAs his account was in three months arrears. So given industry recognised standards Tesco were entitled to report the account as defaulted when they did.*

*It may also help Mr L to know the ICO explains that while a Notice of Default is required to be issued under the Consumer Credit Act 1974, there is no data protection obligation on a lender to issue a Notice of Default prior to reporting the account as defaulted to a person's credit file.*

*I would also add it is not my role to decide whether a law has been breached, rather it is for me to decide what is fair and reasonable in the circumstances of the case. Therefore, while Tesco may have been entitled to report the Tesco credit card account as defaulted when they did, I've also considered whether, in the circumstances, it was fair of them to do so.*

*The FCA's handbook includes rules and guidance to firms about how they should treat their customers in default or arrears, noting they should be treated fairly and with forbearance and due consideration. And the ICO provide industry guidance that if an agreement of payment is reached and maintained, that will be reflected on a person's credit file but a default will not be reported to the CRAs.*

*In Mr L's case I do have some concerns here. On the same day Tesco confirmed to Mr L the agreed repayment plan, they also issued the Notice of Default. I think it is fair to say this is not in the spirit of the FCA's approach to firms treating their customers fairly or the ICO's guidance not to report a default while an arrangement is in place – particularly given Tesco's covering letter to Mr L (also sent on 4 October 2021, the same day as the Notice of Default) said that while Mr L should shortly expect to receive a Notice of Default and later a Termination Notice, he could ignore these due to his repayment plan. In the circumstances, I find Tesco's actions here disappointing.*

*However, I am also mindful that if a repayment plan is broken a firm is then entitled to go on and report an account as defaulted. In light of this, I've reviewed the payments Mr L made towards the account after the repayment plan was put in place.*

*I can see that no payment was made in October 2021, payments were made in November 2021 and December 2021, but then no payments were made to the account in January 2022 or February 2022 – so the arrangement was broken.*

*Mr L made a payment in March 2022 and then a new repayment plan was set up in April 2022. This plan was extended on several occasions and Mr L broadly stuck to it although there was a missed payment in March 2023 – so again, this would have broken the arrangement.*

*Mr L made the larger payments towards clearing the account in October 2023 and*

November 2023. Nothing was paid in December 2023 or January 2024 – so again, this would have broken any arrangement.

Mr L's final payments to the account were then made in February 2024, March 2024 and April 2024 when Mr L paid off the bulk of the outstanding £97.42 with the full balance cleared in April 2024 when Tesco wrote off the 42 pence.

Given the first repayment plan was broken and there were subsequent breaks in payment, I think it's fair to say it would have been reasonable for Tesco to have reported the account as defaulted to the CRAs at one of these later points if they had not reported Mr L's account as defaulted in 2021.

I'm therefore unable to say Tesco were unfair to report a default in relation to Mr L's account as I find it more likely than not the account was likely to have been defaulted at some point.

Repayment plans are typically short-term arrangements and Mr L took from 2021 until 2024 to clear the outstanding balance, only doing so once he received monies through another source in 2023. I think it fair to say Mr L was likely to have missed payments occasionally due to the financial pressures he was experiencing. My findings here are not to take anything away from Mr L's intention to meet his financial responsibilities, but I must consider everything in the round.

Taking everything into account, I find it more likely than not Mr L was issued with the Notice of Default in 2021 before the account was reported as defaulted to the CRAs. And although I have above noted some concerns about Tesco's letters, in the circumstances, I've not seen enough to persuade me that Mr L would not have still found himself in the position of his account being reported as defaulted to the CRAs, if not in 2021, then at a later date given his financial challenges at the time and the breaks in the arrangements.

In the circumstances, as the default was registered in 2021, this does mean it will no longer show on Mr L's credit file six years from that point, rather than six years from a later date if Tesco had reported a default at one of the later dates when the arrangements broke. I therefore find that Tesco were entitled to report the account as defaulted when they did and I think overall, in the circumstances, it was fair of them to do so.

#### Responses to my provisional decision

Tesco provided no further evidence or submissions for me to consider.

Mr L responded to my provisional decision to say information referenced was factually incorrect and based on documents and evidence that were never disclosed to him, and on inadmissible evidence.

#### **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 considered Mr L's response and I note that he has not provided me with any new evidence or submissions, so I've reviewed his case again based on the available evidence and submissions that I have. Having done so, I've not seen anything that would alter my provisional findings.

As noted in my provisional decision I think Mr L's concerns were mainly to do with not receiving a Notice of Default and that in a call with Tesco he was told the notice could not be

found. But as I explained in my provisional decision where it's not possible to know for certain what has happened, or where evidence is incomplete or in dispute, then I have to reach a decision based on what I think most likely was to have happened.

In my provisional findings above I set out reasons why I thought Tesco more likely than not sent the Notice of Default to Mr L. And I also explained that having listened to the call in question, the call handler did correct themselves after checking a different system which did reference the Notice of Default.

I recognise Mr L's frustrations with these findings, but even if I was to have identified any failings here in what Tesco did, it seemed likely – given Mr L broke arrangements over the following years – that he would more likely than not still have found himself in the same position of his account being reported as defaulted to the CRAs, albeit at a later date.

I note Mr L's reference to 'inadmissible evidence' – language associated with court proceedings – so it may help if I explain that this service as an informal dispute resolution service does not work in the same way as a court.

I understand the importance of this matter to Mr L and my intention is not to add to Mr L's problems. I must however consider what I think is fair and reasonable in the circumstances of the case. And for the reasons set out above, I have not seen enough to persuade me that Mr L's complaint should be upheld as I think Tesco were entitled to report the account as defaulted to the CRAs when they did, and in the round it was fair of them to do so.

### **My final decision**

For the reasons above, my final decision is that I do not uphold Mr L's complaint.

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

Kristina Mathews  
**Ombudsman**