

## The complaint

Mr O complains Barclays Bank UK PLC trading as Tesco Bank unreasonably defaulted his personal loan and reported incorrect data to credit reference agencies (CRAs).

## What happened

Mr O was approved a personal loan by Tesco Bank for £35,000 in June 2019.

In early February 2025 Mr O contacted Tesco Bank to make it aware of a change in his personal circumstances; and that he wouldn't be able to maintain his contractual monthly payments of around £540 moving forward.

Tesco Bank agreed to place a hold on the account for 30 days while Mr O reviewed his finances. It made Mr O aware that non-payment of the contractual monthly payments would be reported as missed payments to CRAs.

In late February 2025 Tesco Bank received correspondence from a debt management company that Mr O had entered a Debt Management Plan (DMP). The debt management company had completed an income and expenditure assessment with Mr O and based on what it had identified, it proposed monthly payments of around £170 to Tesco Bank.

Tesco Bank accepted this repayment and went on to default the loan in April 2025. Mr O complained to Tesco Bank saying its actions were unreasonable as he'd entered a payment arrangement; and he was unhappy with how Tesco Bank had reported his loan to CRAs in February and March 2025.

Tesco Bank issued a final response letter in May 2025 in which it didn't uphold Mr O's complaint. It said it had acted reasonably when taking the action to default the loan, and how it had reported the account to CRAs.

Unhappy with Tesco Bank's response Mr O referred his complaint to our service for review.

One of our investigators reviewed Mr O's complaint and didn't uphold it. While he acknowledged Tesco Bank had acted quickly in defaulting the loan, he considered this was ultimately an inevitability, due to the reduced monthly payments that would be made and therefore the level of arrears that would accrue on Mr O's account. He also considered Tesco Bank had reasonably reported the status of the loan to CRAs based on the evidence he'd received.

Tesco Bank didn't respond to our investigator's view; Mr O did and disagreed. In summary, he maintained his arguments that Tesco Bank had acted unreasonably in defaulting his account in April 2025, and in how it had reported the loan to CRAs from February 2025. Mr O said the default has caused him distress and inconvenience, and that he wants it removed from his credit file.

Mr O asked for an ombudsman's review, so the complaint has been passed to me to decide.

## **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.

The information in this case is well known to Mr O and Tesco Bank, so I don't intend to repeat it in detail here. Instead, I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr O or Tesco Bank by taking this approach, but this simply reflects the informal nature of our service.

I've set out my findings below under separate headings for ease.

### Tesco Bank's action to default the loan

Mr O complains that Tesco Bank acted too quickly when defaulting his account and reporting this to CRAs after he was unable to make payments in line with his contractual obligations. Mr O has said Tesco Bank had agreed to a reduced payment arrangement and it shouldn't have defaulted the account while he was meeting the terms of the arrangement.

Having reviewed the evidence available to me, I'm not seen anything which persuades me that Tesco Bank acted unreasonably when defaulting Mr O's loan in April 2025.

I say this because while I acknowledge Mr O used a debt management company to support him with a DMP; ultimately Mr O wasn't able to maintain payments to his loan in line with his contractual obligations.

When the debt management company contacted Tesco Bank it provided a full income and expenditure breakdown. This showed Mr O didn't have a level of disposable income to sustainably afford the full repayments to this loan, nor full repayments to his other creditors. Mr O's disposable income after taking into account priority debts and other non-discretionary expenditure was calculated as around £360. This was the available disposable income that could be allocated between Mr O's non-priority creditors.

The payment proposal to Tesco Bank was around £170 (which I acknowledge was relatively quickly increased to around £180), which meant Mr O's loan with Tesco Bank would fall into arrears of around £360 each month. As such, within three months the loan would have accrued arrears of over £1,000.

As well as providing support and forbearance when a customer makes a business aware of financial difficulties, a business must weigh up its regulatory obligations to mitigate against causing a consumer further financial harm, by allowing a debt to increase to an unsustainable level, for example. This is especially the case where there is little to no prospect of a customer's circumstances improving within a reasonable period of time; and therefore, inroads being made towards an outstanding debt and arrears that have accrued.

Tesco Bank assessed that Mr O's situation wasn't one that was likely to improve within a reasonable period of time, and therefore the accrual of arrears would lead to further financial harm.

I've seen from the contact notes that Mr O was made aware in late February 2025, after contacting Tesco Bank, that it would be defaulting the loan and terminating the account, following the communication it had received from the debt management company. I've seen Tesco Bank sent Mr O a Notice of Default letter in February and a letter that the loan had

been terminated in March 2025. Both of these letters also set out that the loan would be defaulted and reported to CRAs.

Mr O had been out of work since 2023; and has told us that he was maintaining his living costs and lifestyle with the payout of an insurance policy, although this had been difficult given the financial commitments he had each month. Mr O's personal circumstances changed in late 2024; this led to a further strain on his finances and this position coming about where he could no longer meet his contractual payments to his non-priority creditors.

While after the event Mr O complains of, I've seen in June 2025 he made our investigator aware that he intended to make payments to his non-priority creditors in line with the arrangements under the DMP for as long as needed. Mr O says the DMP was to be in place for 60 months, or until he was able to return to work and possibly make increased payments. So, it's clear that by at least June 2025 Mr O wasn't back in work and wasn't in a position to have looked to make higher payments to Tesco Bank. By June 2025 Mr O's loan would have been around five months in arrears, with an arrears value of just under £2,000.

I don't consider it would have been reasonable for Tesco bank to have allowed this situation to have continued; and based on the evidence I've seen, I consider its actions to default the loan were reasonable.

I do acknowledge that there was some cross over of information, with letters setting out the loan would be defaulted, as well as the payment arrangement being put in place, being sent at similar times. However, as I've set out above, I don't consider Tesco Bank acted unreasonably by defaulting the loan. And it did make Mr O reasonably aware of this, both in writing and in a phone call.

So, I don't consider that Tesco Bank's actions in defaulting the loan and reporting this status to CRAs was unreasonable.

#### The status of the loan reported to CRAs in February and March 2025

Mr O has said the loan has been reported as in arrears on his credit file for February and March 2025, whereas he had an agreed payment arrangement in place.

As I've set out above, during the initial call between Mr O and Tesco Bank when he made it aware of his financial difficulties, the representative made it clear that the status of the loan would be reported as in arrears as a payment had been missed. I note that Mr O did make a payment to the loan at a reduced amount towards the end of February 2025, once repayments towards the loan had been agreed.

However, Mr O's repayments were below the contractual monthly payments set out within the agreement. The regulatory letters sent to Mr O confirm that contractual monthly payments are still due under the agreement; and that if these are not met that missed payment markers will be reported to CRAs.

Tesco Bank has provided us with internal screen shots of how it has reported Mr O's loan to CRAs. This shows that for February 2025 it reported the loan as "AA", which is universally accepted by CRAs as "arrears". Tesco Bank hasn't provided us with data to show how it reported the loan in March 2025. However, I don't consider this impacts my outcome here. I say this because as I've set out above, Mr O wasn't making payments in line with his contractual agreement, so the loan was in arrears. And in any event, as I've found above, I consider the loan was reasonably defaulted and reported as such in April 2025.

Ultimately, I don't consider the arrears marker reported to CRAs to be an inaccurate reflection of the status of the loan. And in any event, the default marker, which I've found above to be reasonable, will have a more negative impact on Mr O's credit file.

### Summary

I acknowledge my decision will be disappointing to Mr O. I accept his strength of feeling on this matter, and that he was proactively looking to engage with Tesco Bank to agree a suitable way forward given his financial situation. I would like to say I am sorry to hear of Mr O's circumstances relating to his health; and the more recent change in his personal circumstances which has led to further financial difficulties and him not being able to maintain his contractual payments to the loan.

However, for the reasons I've set out above I don't consider Tesco Bank has acted unreasonably in the individual circumstances of this complaint. So, it therefore follows I can't reasonably conclude that Tesco Bank should make a payment to Mr O for the distress and inconvenience he's suffered.

For the reasons I've set out above, I'm not directing Tesco Bank to take any further action in resolution of this complaint. However, I would remind it of its obligations in treating Mr O fairly and sympathetically when engaging with him for the recovery of this outstanding debt.

### **My final decision**

My final decision is that I don't uphold Mr O's complaint about Barclays Bank UK PLC trading as Tesco Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 16 October 2025.

Richard Turner  
**Ombudsman**