

The complaint

Mr B complains that Barclays Bank UK PLC trading as Tesco Bank has failed to automatically apply interest rebate payments to his loan account.

What happened

Mr B has a loan with Tesco which he overpays each month. Mr B was unhappy to find that since October 2024; Tesco hasn't automatically applied the interest rebate to his account and those of other customers.

Tesco reassured Mr B that it was aware of the issue and that it manually worked each overpayment. Mr B says he routinely had to wait four weeks for Tesco to apply the rebate to his account, so he complained.

Tesco paid Mr B £75 to apologise and confirmed it was working on the technical issue. Mr B was unhappy to find that the issue continued, and he made a second month's overpayment before the previous rebate had been applied to his account. Tesco gave Mr B a further £50 compensation to apologise but said it wasn't required to inform customers about the issue.

Mr B says he has had to be hypervigilant for months and is concerned that Tesco is aware of a systemic problem but hasn't told customers and has not resolved the issue.

Tesco told Mr B that it is experiencing a system issue which means it can't automatically apply partial payments and interest rebates to customers' accounts. It said that as it needs to apply the payments manually, there can be a longer delay than the usual 10 working day timescale. Tesco apologised that it hadn't proactively communicated the problem to customers and said it couldn't confirm when future partial payments would be applied to Mr B's loan account.

Our investigator recommended that Mr B's complaint be upheld. Our investigator didn't think it was good enough for Tesco to keep telling Mr B that the issue isn't resolved without any timescale for when it might be sorted out. Our investigator thought that Tesco should pay Mr B a further £125 compensation to reflect the ongoing upset he had felt. He also asked that Tesco provide Mr B with a monthly update until the technical issue is fixed.

Tesco disagrees with the outcome. It says Mr B continues to make contact to chase the interest rebate despite Tesco having explained that it will apply the rebate manually each month. Tesco doesn't see any benefit in providing a monthly update when the only update would be when the problem is resolved.

Tesco points out that when it works each rebate, it sends Mr B a letter confirming this with details of how the payment has impacted his loan. Tesco doesn't agree that it should pay Mr B further compensation as he hasn't suffered a financial loss and is already aware that the rebates are applied manually, although there may sometimes be a delay.

As the complaint hasn't been resolved informally, it has come 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.

I realise that I have summarised this complaint in less detail than the parties and that I have done so using my own words. The rules which govern us, together with the informal nature of our service allow me to take this approach. But this doesn't mean I have not read and considered everything the parties have given to us.

This service doesn't supervise, regulate or discipline the businesses we cover – we resolve individual complaints. It would be for the regulator – the Financial Conduct Authority – to make decisions about the way in which businesses work and the processes they use. So, although Mr B is concerned about the wider implications of the technical issue at Tesco, my focus is on the impact it has had on him as an individual. I hope that he understands.

Having considered everything, I agree with the outcome previously reached by our investigator. Despite what Tesco says about applying the rebate manually, it also acknowledges that due to an oversight, it didn't pass a payment over to its' team to be manually worked. So, I can understand why Mr B feels the need to be vigilant each month despite Tesco's assurance that it will carry out a manual review each month.

I can't award compensation for something which hasn't happened yet, but I can make an award which reflects the concern and inconvenience felt so far. Given the impact the issue has had on Mr B to date, I agree that a higher award of compensation is justified. An award totalling £250 sits towards the top end of the range of award we might make where the mistake has taken a reasonable effort to resolve. Our approach to awards like these can be found on our website. I think £250 fairly recognises the impact Tesco's ongoing issue with partial payments has had on Mr B. For the avoidance of doubt, this includes the sum of £125 already paid for this complaint.

In terms of providing regular updates to Mr B, I take Tesco's point that the only meaningful update will be to say when the issue has been resolved. I can't require Tesco to do more than it is already doing to rectify the problem. But given Mr B's ongoing concern about Tesco's need to manually update his payments, I don't find it unreasonable to require it to send him monthly updates to say whether the issue is fixed or not by whichever means is most convenient, subject to any contact preferences Tesco has recorded for Mr B. This doesn't mean that Tesco needs to explain in detail what steps it is taking to resolve the problem but if it can indicate a rough timetable for fixing the issue, I am sure this would be welcomed by Mr B. This update, together with the partial payment confirmation letters which Tesco already sends to Mr B, should hopefully help to reduce his concern each month.

Putting things right

Tesco should:

- pay Mr B a total of £250 compensation from which it can deduct any sums already paid for this complaint; and
- provide Mr B with a monthly update on whether the technical issue has been resolved or not until such time as the issue is resolved.

My final decision

My final decision is that I uphold this complaint and direct Barclays Bank UK PLC trading as

Tesco Bank to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 November 2025.

Gemma Bowen
Ombudsman