

The complaint

Mrs M complains Tesco Mobile Limited have treated her unfairly when she ended a fixed sum loan agreement early.

What happened

Mrs M has been a longstanding customer of Tesco Mobile and had an existing account with them which included agreements for herself, her husband and her children.

In October 2022, Mrs M called Tesco Mobile and asked them to terminate the fixed sum loan agreement early that she took out for her daughter in April 2020. This agreement was for 36 months, with monthly repayments of £17.49. An airtime agreement for £12 a month was also taken out at the same time.

Mrs M says her daughter had moved abroad and so had no need for the account – which included both the fixed sum loan agreement and the airtime agreement. Following this call, Mrs M cancelled her direct debit for the account on the same day.

Shortly after, Mrs M started receiving letters notifying her about a payment that was due to be paid to Tesco Mobile. Mrs M received an arrears notice in November 2022 and started to contact Tesco Mobile to ask for help about what she was being asked to pay. The online chats from Tesco Mobile show Mrs M went into a store in May 2023, again in August 2023, called Tesco Mobile in November 2023 and started a live chat with them on the same day. But Mrs M says she was repeatedly told that nothing was owed.

It seems the reason Mrs M was being told nothing was owed when she asked Tesco Mobile for help, was because the Tesco Mobile advisors were looking at the wrong account – the agreement Mrs M took out for her daughter wasn't showing under her existing account (the one that held Mrs M and her other family members agreements). Instead, a standalone account for this agreement was set up which Mrs M wasn't aware of. It wasn't until June 2024 that Tesco Mobile realised this.

Mrs M has asked for Tesco Mobile to stop reporting defaults on her credit file and says this issue has caused her stress and inconvenience for a long time. Mrs M also said she called Tesco Mobile several times and received no call back or email response to discuss this issue, so Mrs M doesn't feel Tesco Mobile have helped her.

What Tesco Mobile said

Tesco Mobile said Mrs M cancelled her direct debit when she called to terminate the agreement early and that she didn't pay the final amounts that were due under the account. Tesco Mobile said because the final invoices went unpaid, they defaulted the fixed sum loan agreement and airtime agreement in April 2023, once the amount Mrs M owed under the account became overdue for more than six months.

Tesco Mobile have given different and at times confusing responses to what happened with the account. They first said the outstanding balance was written off in November 2023 and

then sold to a debt company in the same month. This wouldn't appear to be true - because a debt company wouldn't purchase a balance which is no longer owing. On the other hand, Tesco Mobile said the outstanding balance wasn't with them - suggesting they did sell an outstanding balance to a debt company, but they've not been very clear on this point. Mrs M has provided a copy of her credit file to show that both the airtime agreement and fixed sum loan agreement were settled in November 2023.

Tesco Mobile said they sent Mrs M a series of correspondence, including emails, texts and letters notifying her of the outstanding amount from November 2022 to when the fixed sum loan agreement and airtime agreement defaulted in April 2023. Tesco Mobile said Mrs M knew she had two accounts with them – one with hers and her other family member's agreements and one standalone account with her daughter's agreement. But Tesco Mobile said when Mrs M contacted them, she didn't give them the right information about the right account. Tesco Mobile's notes identified this difference in June 2024 and because of this, Tesco Mobile said they weren't prepared to stop reporting the defaults as Mrs M's credit file is a true and accurate reflection of her payment history. However, Tesco Mobile acknowledged there were customer service failings and offered to send Mrs M a cheque for £100.

Information about the defaults on Mrs M's credit file

Tesco Mobile have recently provided evidence to show the amount Mrs M was being asked to pay was a total of £99.45. Tesco Mobile have provided two invoices:

- Invoice 1: from October 2022 for £29.49 - this amount is made up of £12 for the monthly airtime and £17.49 which is the monthly repayment for the device under the fixed sum loan agreement.
- Invoice 2: final bill from November 2022 for £69.96 - this is described on the invoice as 'the balance of the device credit agreement' and which I understand to be an early termination fee (ETF),

Tesco Mobile eventually told our Investigator the two defaults on Mrs M's credit file are for 1) for the fixed sum loan agreement for the device 2) for the monthly airtime agreement.

What our Investigator ultimately concluded

Our Investigator attempted to resolve matters informally, but Tesco Mobile didn't agree to what our Investigator suggested. Ultimately, our Investigator issued her view and said while she acknowledged Tesco Mobile are obliged to report account information correctly on a credit file, that they must do so fairly. However, she wasn't persuaded they had done so in this case as she said Mrs M didn't intentionally avoid paying the final bill, given the lengths she'd gone to in asking Tesco Mobile for help and that this went unpaid as a result of a misunderstanding on both Mrs M and Tesco Mobile's part. Our Investigator said Mrs M had sufficient funds in her bank account to pay what was owed and that the ETF amount was transferred to her account by her daughter before the agreement was terminated – which she said showed her intention to pay what was owed.

Overall, our Investigator said Tesco Mobile ought to have recognised the level of contact Mrs M was making with them and that they should have done more to look into Mrs M's concerns about the communication she was receiving asking her to make a payment after the agreement had ended. So, our Investigator asked Tesco Mobile to resolve matters by:

- Waiving the ETF for the loan agreement,
- Arranging to recall the account if it had been passed to, or sold to, a third party,
- Removing adverse information about this account from Mrs M's credit file, as set out

- above,
- Paying £100 to Mrs M for the distress and inconvenience she experienced.

Mrs M agreed to this, but Tesco Mobile didn't. In summary, they said Mrs M would have been aware the final bill amount was due, but she cancelled her direct debit before it was paid. And they reiterated they have a legal obligation to record factual and accurate information on a credit file to represent how the account is being managed.

What Tesco Mobile have agreed to do to resolve matters

Tesco Mobile told our Investigator in February 2025 they would:

- Waive the £69.96 – due under invoice 2,
- Pay Mrs M £100 compensation for the impact to her as a result of their service failings,
- But they didn't agree to amend Mrs M's credit file of the two defaults.

Because an agreement couldn't be reached, the complaint has been passed to me to decide.

I issued a provisional decision on the matter, setting out the below:

When the evidence is incomplete, inconclusive or contradictory – as it is in this case – I've made my decision on the balance of probabilities – that is, what I think is most likely to have happened given the available evidence and the wider circumstances.

Defaults on Mrs M's credit file

Firstly, before I go on to consider whether Tesco Mobile have acted fairly in reporting defaults on Mrs M's credit file, I should start by explaining that I think there's been some confusion about what was owed by Mrs M and also what the two defaults related to on Mrs M's credit file.

After multiple requests to Tesco Mobile, they explained there were two invoices Mrs M was owing at the point she cancelled the agreement. Not just the ETF as referred to by our Investigator in her view. Additionally, after looking at Mrs M's credit file, it seems one default relates to the airtime agreement, and one relates to the fixed sum loan agreement – both amounts were due under invoice 1 as mentioned above.

I don't think it's in dispute that Mrs M cancelled her direct debit for this account, despite two invoice amounts being due. I'm satisfied from the evidence provided by Tesco Mobile that they made Mrs M aware of what she needed to pay as they've provided a log to show the correspondence sent to Mrs M from November 2022 to May 2023. I can accept Mrs M ought to have not cancelled her direct debit, but Mrs M says she thought she paid what was due and her testimony around this has been consistent. So, I think there was genuine confusion on Mrs M's part, rather than a purposeful act to avoid paying what she owed when she cancelled the direct debit.

With that being said, I'm persuaded Mrs M contacted Tesco Mobile in an attempt to sort the matter out. Mrs M says she continuously contacted Tesco Mobile for help from November 2022 – when she first received an arrears notice from them about what was owed. Mrs M has provided extensive testimony about the level of contact she made with Tesco Mobile, which seems plausible and persuasive to me. Tesco Mobile are Mrs M's phone provider, yet they can't provide me with evidence of calls Mrs M says she made from November 2022 and Mrs M says she made a lot. While Tesco Mobile don't have a record of the calls Mrs M says

she made, I don't think that necessarily means the calls didn't happen.

What follows after Mrs M's contact with Tesco Mobile is them repeatedly telling her there's nothing to pay, leaving Mrs M without the opportunity to pay what was outstanding before Tesco Mobile defaulted both the fixed sum loan agreement and airtime agreement. I can see from the evidence provided by Tesco Mobile there was an ongoing confusion with Mrs M's separate accounts, and I'm persuaded on balance, had Mrs M been given the correct information about what was owed, she would have paid this amount.

I don't think Tesco Mobile helped Mrs M enough when she asked for it. Tesco Mobile didn't notice, until June 2024, nearly two years after Mrs M cancelled the agreement, that she had more than one account. Tesco Mobile continuously told Mrs M she had nothing to pay, which then left her with no option to pay and resulted in the defaults. As I've mentioned, I'm not persuaded Mrs M was purposely avoiding paying the total amount of around £100 she owed. I say this because Mrs M has provided evidence she had sufficient money in the account her direct debit used to come out of at the time to pay this sum. There isn't any evidence to suggest Mrs M had missed payments on the account previously and Tesco Mobile confirmed she maintained all of her direct debits. Additionally, I think it's fair to say most customers are aware of the severity of the default and the potential impact this could have on their creditworthiness. Having considered all of the circumstances here, had Tesco Mobile identified the correct account sooner, and especially taking into consideration that Mrs M was proactively contacting Tesco Mobile over a long period of time, I think on balance, Mrs M would have paid what was owed.

I appreciate Tesco Mobile have said they're not prepared to remove any adverse information from Mrs M's credit file as they have a legal responsibility to report accurate information. However, as per the 'Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies' it explains 'Data that is reported on your credit file must be fair, accurate, consistent, complete and up to date.' So, while I agree data should be reported accurately, it should also be done fairly. But I don't think Tesco Mobile are acting fairly here. I say this because I think if Tesco Mobile did more to help Mrs M and identified sooner the account they were asking her to pay the outstanding amount under, I'm persuaded she would've paid what she owed, avoiding any defaults.

With that said, I currently think it's fair for Tesco Mobile to remove any negative information and trace of the default relating to the fixed sum loan agreement from Mrs M's credit file. And while our service doesn't have the power to consider complaints about airtime agreements, I think it's intrinsically linked here given the £29.49 owed under invoice 1 includes an amount for the fixed sum loan agreement. So, even though I don't have jurisdiction to compel Tesco Mobile to remove the default for the airtime agreement from Mrs M's credit file, I think Tesco Mobile should give some serious thought to removing the default for the airtime agreement too, to save Mrs M from having to go to another ADR scheme about the same thing. In addition to this, Tesco Mobile may need to liaise with the debt company to ensure they're no longer reporting a default and any outstanding balance still owed will reflect what I've said below.

I understand from what Tesco Mobile have said the outstanding balance was written off in November 2023 and the debt was sold to a debt company. But they then said the outstanding amount was no longer with them. It's not clear to me if Tesco Mobile are solely referring to invoice 1, but I think on balance, they are. And it's also not clear to me if Tesco Mobile have cleared the amount owed under this invoice, or whether it's just been passed to the debt company. In any case, due to the time that has passed, I think it's fair for Tesco Mobile to write off this amount and to not pursue Mrs M for the balance due under invoice 1. Tesco Mobile told our Investigator they'd waive the £69.96 which was due under invoice 2. And I think Tesco Mobile should do this if this amount is still outstanding and not ask Mrs M

for this.

Customer service received by Mrs M

As mentioned, Mrs M has been a long-standing customer of Tesco Mobile, with several accounts, from 2013. Tesco Mobile have already acknowledged service failings here, by way of offering £100 compensation – there were call backs promised which Mrs M didn't receive and other contact Mrs M didn't receive a response to.

Additionally, I think further frustration was caused to Mrs M as a result of Tesco Mobile not identifying the correct account, resulting in this issue going on for nearly two years. Tesco Mobile have made a comment that Mrs M may have been providing the wrong account details when she asked them for help. However, I'm not persuaded that had Mrs M been asked the right questions about the account in question and about the correspondence she received, Mrs M would have purposefully handed over the wrong details given she was consistently reaching out to Tesco Mobile for support – these actions don't persuade me of someone who may be trying to avoid paying what they owed.

Despite Mrs M asking Tesco Mobile for help, they then passed the accounts to a debt company. I think it's fair to suggest Tesco Mobile ought to have looked into matters further given Mrs M's level of contact and this should have raised questions for Tesco Mobile as to why Mrs M was contacting them on a regular basis about an amount they said she owed. Understandably, Tesco Mobile passing the debt to the debt company caused Mrs M distress given in her mind, she was doing what she could to find out what she owed.

Having considered my initial requirement for Tesco Mobile to clear the balance outstanding under invoice 1 (if this hasn't been done already) as well as their agreement to waive the ETF of £69.96, I think it's fair for Tesco Mobile to pay an additional amount of £200 compensation for the distress and inconvenience this whole situation has caused Mrs M.

Putting things right

For reasons explained above, I currently require Tesco Mobile to:

- Waive £69.96 as agreed by Tesco Mobile, if this hasn't been done already and no longer pursue Mrs M for this amount,*
- Remove any negative information and trace of the default relating to the fixed sum loan agreement from Mrs M's credit file. And consider doing the same for the airtime agreement. Tesco Mobile should liaise with the debt company to ensure they're no longer reporting the defaults and any outstanding balance owed by Mrs M reflects my findings above – that no amounts under the two invoices are due.*
- Pay Mrs M £200 compensation for the distress and inconvenience caused.*

Responses to my provisional decision

Mrs M responded and said she was happy to accept my provisional decision.

Tesco Mobile responded and asked for evidence of Mrs M attempting to make the payment for the ETF, as they didn't agree with this. Tesco Mobile also asked for evidence of them saying they'd waive the ETF and that I'd made the recommendation for the compensation to be increased to £200 without any real explanation or acknowledgement that Mrs M didn't pay what she owed, despite her still having the device. Tesco Mobile said the compensation amount I suggested was unjustified and the write off of the outstanding amounts, alongside this, isn't impartial.

Tesco Mobile also said they didn't agree with my finding for Mrs M's credit file to be amended as they reiterated it should be a true and accurate reflection of Mrs M's payment history. Tesco Mobile said Mrs M chose to not give them the correct account information when she contacted them

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.

Tesco Mobile acknowledged Mrs M may have had the funds in her account to pay what she owed, but they asked for evidence of her attempting to pay the ETF she was informed about. My provisional decision didn't say Mrs M had attempted to make the payment for the ETF. My decision focused on Mrs M's attempt at asking Tesco Mobile for help in terms of what she owed through her regular contact with them.

Tesco Mobile have said I've picked and chosen bits they've offered to resolve this complaint and that I've taken advantage of them trying to resolve the complaint. I'm not entirely sure what Tesco Mobile mean by this as I've simply relayed what they said they'd be prepared to do to resolve the complaint and explained what I thought was fair. Tesco Mobile also questioned when they told us they'd waive the ETF. Our Investigator sent them a copy of the call recording from February 2025, where Tesco Mobile's case handler told our Investigator they'd be prepared to waive this fee.

I note Tesco Mobile have said the compensation amount of £200 I recommended was unjustified, alongside my recommendation to waive the amounts under both invoice 1 and invoice 2 which was around a total of £100. For clarity, I recommended this for the below reasons:

- Mrs M was a long-standing customer of Tesco Mobile, from 2013, with several accounts where there's no evidence to suggest she'd missed payments previously. Tesco Mobile also confirmed Mrs M maintained all her direct debits. So, given this history, alongside everything I've said below, I don't think Mrs M was purposely avoiding paying what she owed.
- There were failed calls backs to Mrs M and other contact which Tesco Mobile didn't respond to.
- Tesco Mobile have said Mrs M didn't provide the correct account details when she contacted them for help. But they haven't provided any evidence of this. Equally, Tesco Mobile haven't provided me with a copy of the call that took place when Mrs M called them to end the agreement. So, I can't be certain of what was said during his call about any outstanding amounts. In any case, I'm not persuaded Mrs M would have purposely handed over incorrect account details when she was the party proactively contacting Tesco Mobile for help – that would seem contradictory to me.
- Despite Mrs M's repeated contact to Tesco Mobile for help, Tesco Mobile then passed this account to a debt company which caused Mrs M further stress, given Mrs M would have been thinking she was doing everything she can to find out what she owed Tesco Mobile for.
- Had Tesco Mobile looked into matters further given the level of contact Mrs M said she made to them, as well as the lengths Mrs M went to by going into store and had Tesco Mobile asked themselves why Mrs M was contacting them several times about money she owed, I think Tesco Mobile could have realised sooner the account Mrs M owed money under. Instead, it went on for nearly two years before Tesco Mobile identified the account Mrs M owed money under. It doesn't seem unreasonable to me

to expect Tesco Mobile to have done a thorough search to try and get to the bottom of the reason for Mrs M's contact and the account in question. And I don't think it was unreasonable for Mrs M to assume this agreement had been set up like the other ones – all under one account under her name.

As I've explained, this matter has been going on for a very long time and I think it's only fair to bring an end to it for both Mrs M and Tesco Mobile. Had I not recommended that both invoice amounts be waived and Mrs M not be pursued further for these amounts as part of the redress, I would consider increasing the compensation amount that Tesco Mobile should pay Mrs M to a figure higher than £200 for the reasons I've set out above. But instead, I suggested Tesco Mobile pay Mrs M £200 compensation as well as recommending Mrs M no longer needed to pay what was outstanding under both invoices to bring things to an end. As a reminder, Tesco Mobile offered for the ETF of £69.96 to be waived.

I hope that setting out my reasoning above is clear to Tesco Mobile as to why I've suggested they put things right in the way I've recommended.

My opinion also remains the same about Mrs M's credit file being updated. While I understand Tesco Mobile's reasoning that Mrs M's credit file should be a true and accurate reflection of her payment history, as explained in my provisional decision, it should also be fair. And I don't think Tesco Mobile are acting fairly in not removing any adverse information as I think had they done more to help Mrs M and identify the correct account sooner, I'm persuaded Mrs M would have paid what she owed based on her persuasive testimony and available evidence which shows she contacted Tesco Mobile to ask for help in what they were asking her to repay, avoiding any defaults. With that said, I think it's fair for Tesco Mobile to remove any negative information and trace of the default relating to the fixed sum loan agreement from Mrs M's credit file.

As explained in my provisional decision, while this service doesn't have the power to consider complaints about airtime agreements, I think it's intrinsically linked here given the £29.49 owed under invoice 1 includes an amount for the fixed sum loan agreement as well as the airtime. So, even though I don't have jurisdiction to compel Tesco Mobile to remove the default for the airtime agreement from Mrs M's credit file, I remain of the opinion that I think Tesco Mobile should give some serious thought to removing the default for the airtime agreement too, to save Mrs M from having to go to another ADR scheme about the same thing. In addition to this, Tesco Mobile may need to liaise with the debt company to ensure they're no longer reporting a default or any outstanding balance.

Putting things right

For reasons explained above, I require Tesco Mobile to:

- Waive the amount due under invoice 1 for £29.49 and no longer pursue Mrs M for this amount,
- Waive the amount due under invoice 2 which is £69.96 as agreed by Tesco Mobile, if this hasn't been done already and no longer pursue Mrs M for this amount,
- Remove any negative information and trace of the default relating to the fixed sum loan agreement from Mrs M's credit file. And consider doing the same for the airtime agreement. Tesco Mobile should liaise with the debt company to ensure they're no longer reporting the defaults and any outstanding balance owed by Mrs M reflects my findings above – that no amounts under the two invoices are due.
- Pay Mrs M £200 compensation for the distress and inconvenience caused.

My final decision

I uphold this complaint and I require Tesco Mobile Limited to carry out the actions under the “Putting things right” section of this decision.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs M to accept or reject my decision before 27 August 2025.

Leanne McEvoy
Ombudsman