

The complaint

Ms B complains Tandem Bank Limited (“Tandem”) falsely claimed her account was in arrears on multiple occasions.

What happened

In around September 2024, Ms B took out a fixed-sum loan from Tandem to finance the purchase of some windows. She agreed to repay the monthly instalments by direct debit, but for unknown reasons the October 2024 direct debit failed and her account fell into arrears.

Despite Ms B paying Tandem £311.60 on 29 October 2024 to clear the arrears, she received a text message on 30 October 2024 while she was abroad stating her account was still in arrears. And when she returned home for her holiday on 4 November 2024, she found a letter from Tandem dated 29 October 2024 that similarly stated her account was in arrears.

On 4 November 2024, Ms B called Tandem to complain about her payment not being applied to her loan account. After being kept on hold for over an hour, she told Tandem she was worried her credit file had been impacted. Tandem apologised for the wait, confirmed her account wasn’t in arrears, and raised a complaint for the service issues.

On 8 November 2024, Tandem issued its final response. It said that because Ms B’s account was in arrears on 29 October 2024, the letter sent this same day couldn’t be stopped and its content reflected those arrears. But as a system error resulted in a text message containing false information the next day, and for the poor service generally, it offered Ms B £50 for the distress and inconvenience caused.

Ms B referred her complaint to the Financial Ombudsman Service. She didn’t think the £50 was a fair reflection of the distress and inconvenience she suffered. However, our investigator agreed with Tandem that £50 was fair given the impact on Ms B.

As Ms B doesn’t think that’s fair compensation, her complaint has come to me for a decision.

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.

This includes the relevant laws, regulations, guidance and standards, and Ms B’s latest submissions. Where it’s unclear what’s happened, my conclusions are based on what I think is most likely to have happened given the information available.

I’ve summarised the complaint in my own words and I’m not responding to every argument. No discourtesy is intended by this. Our rules allow me to do this given the informal nature of our service. If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. Rather, I’m satisfied I only need to focus on the key points to reach what I think is a fair outcome.

Tandem’s service errors

There's no evidence Tandem caused the direct debit to fail. So I'm not persuaded it was responsible for the account being in arrears on 29 October 2024.

As the arrears letter had also been sent on the same day as Ms B's payment, I find that it was likely too late to stop the letter going out following the payment. And I agree with Tandem that the 29 October 2024 letter reflected the account had been in arrears that day.

That said, when Ms B paid £311.60 to clear the arrears on 29 October 2024, Tandem was responsible for communicating with Ms B in a manner that was clear, fair and not misleading, and explaining clearly what would happen from that point onwards.

During a call on 29 October 2024, the collections agent told Ms B he would email Tandem's finance team to get them to apply the £311.60 payment to her account. As it could take some time for the account to update, he said he would email Ms B on 30 October 2024 to confirm the arrears had cleared. He reassured her that her credit file wouldn't be impacted.

Instead of Ms B receiving an email confirming the arrears were cleared, she received a text message on 30 October 2024 stating her account was still in arrears. And on return from her holiday on 4 November 2024, she found an arrears letter stating the same.

Tandem accepts it should have emailed Ms B on 30 October 2024 to confirm her account was no longer in arrears, but due to what appear to be procedural errors it didn't. Additionally, I find that Tandem should have warned Ms B she might still receive outdated arrears notices and could ignore them. These actions would have removed any ambiguity over whether Ms B's payment had been applied properly.

Impact on Ms B

Tandem's service issues caused Ms B distress and inconvenience from 30 October 2024, when she was falsely told her account was in arrears, to 4 November 2024 when, after being kept on hold for over an hour, Tandem reassured Ms B her account wasn't in arrears.

In that time, Ms B had been worried that if Tandem failed to apply the payment to her account, it might have reported the arrears to the credit reference agencies.

In her further submissions, Ms B emphasised she suffers from anxiety and was on holiday. She considers these to be material factors that justify further compensation, given the impact on her would be greater than the average person.

Compensation isn't a science, but in deciding what's fair I've considered the guidance on our website and the circumstances here. And while I accept Ms B's personal circumstances meant she'd likely be impacted more than the average person, I find Tandem's offer to pay her £50 is a fair reflection of the distress and inconvenience caused.

In coming to that conclusion, I've taken into account there were no adverse entries put on Ms B's credit file, and she hadn't suffered any financial loss. I also note that when Ms B told Tandem on 4 November 2024 about the incorrect text message and the confusion the arrears letter caused, Tandem quickly confirmed her account was up to date.

Considering all the above, I find £50 to be a fair reflection of the distress and inconvenience Tandem's service issues caused Ms B. So I won't be recommending further compensation.

My final decision

My final decision is that I don't require Tandem Bank Limited to do anything further than what it has already offered. Tandem Bank Limited must pay Ms B £50 for the distress and inconvenience caused if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 15 December 2025.

Alex Watts
Ombudsman