DRN-5793820

The complaint

Mr E complains that Barclays Bank UK plc trading as Tesco Bank ('Tesco') unfairly reported a late payment marker to the Credit Reference Agencies ('CRAs').

Mr E wants the late payment marker removing and for Tesco to change their process.

What happened

In December 2024 Mr E varied his direct debit so it would collect the full balance owed on his credit card statement, rather than the minimum payment.

Mr E complained in February 2025 that the change to his direct debit meant he missed a payment to his credit card. He was unhappy he'd received a late payment fee, interest, and a late payment marker on his credit file because his direct debit for January 2025 hadn't been collected.

Tesco said this was because the direct debit changes weren't in place in time for January 2025's payment, and said they'd notified Mr E he'd need to make a payment. As a goodwill gesture Tesco refunded the £12 late fee and £12.65 interest, but they wouldn't agree to remove the late payment marker as they said this had been accurately reported.

Mr E referred his complaint to the Financial Ombudsman Service and our investigator recommended Tesco remove the late payment marker. Our investigator thought Mr E hadn't been adequately informed of the impact of the changes to his direct debit. Our investigator concluded that whilst Tesco's reporting was accurate, it wasn't fair in these circumstances.

Tesco submitted further evidence of the notifications sent to Mr E. Our investigator considered Tesco hadn't complied with their Consumer Duty obligations, and didn't change her view of how the complaint should be resolved. Tesco sought an ombudsman's decision.

<u>My provisional decision</u>
I recently sent the parties my provisional decision, saying:

"I've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time. Having done so, I don't intend to ask Tesco to remove the late payment marker or change their process. I'll explain why.

The Financial Ombudsman Service doesn't have the power to make rules for financial businesses, in terms of directing that they should change their policies or procedures. That is the role of the regulator, the Financial Conduct Authority ('FCA'). This means I can't insist that Tesco change how they communicate with customers about direct debit changes.

What I can do is consider whether Tesco communicated fairly with Mr E about the direct debit changes he made to his account on 21 December 2024, and whether Tesco's credit reporting is fair and accurate in these circumstances.

The Consumer Duty is a regulatory requirement for firms to put customers at the heart of their considerations, with an overarching principle that they "must act to deliver good outcomes for retail customers." However it should be noted this doesn't equate to the customer always being able to have the outcome they want.

In the context of this complaint it means I'd expect Tesco to take steps to support and enable Mr E's understanding of what would happen when he changed his direct debit, so he could make informed decisions when managing his account.

When Mr E changed his direct debit online he was notified via a pop up that "Direct Debit changes may not be in place in time for your payment. Please make sure a minimum payment is made by your statement due date."

I am minded to agree with our investigator that this wasn't clear that changes to a direct debit would cancel the existing direct debit. I am minded to say this message implied only the "changes" wouldn't take effect, and I'm minded to say it was reasonable for Mr E to assume he could rely on the existing direct debit to take his minimum payment.

However once Mr E had acknowledged this pop up, and successfully changed his direct debit, a further pop up was shown to him that said: "Important Information. Your Direct Debit won't be in place until your next statement. Until this takes effect you still need to make a payment by the payment due date. Would you like to make a payment now?"

I'm minded to say this clearly communicated that a direct debit was no longer in place and wouldn't take Mr E's next payment. I'm inclined to say the payment prompt put Mr E on notice that he'd need to ensure a payment was made before his next statement was generated.

Mr E's December 2024 statement set out a payment of £18 was due on 14 January 2025. Unfortunately, Mr E missed this payment. I'm inclined to say this wasn't due to affordability, but because Mr E genuinely thought he had a direct debit in place. I've therefore considered what other information was available to Mr E at the time.

I'm minded to say Mr E would have had access to his online banking, and could reasonably have checked if his direct debit payment had been taken correctly given the pop up warnings he'd received.

Tesco sent me their system records showing that on 21 January 2025 Mr E's next statement was issued, and an email notification was sent to Mr E on the same day to say his statement was available to view electronically. Mr E's January 2025 statement specified that there had been a missed payment of £18 and I'm minded to say this clearly stated his direct debit changes would take effect in February 2025.

I'm therefore of the view that Mr E had a fair opportunity to check and correct the position with his January payment around the time it was missed. Had he done so, I'm inclined to say Mr E would have brought his account up to date before Tesco gave their monthly report to the CRAs. In those circumstances I'm inclined to say it would've been accurate for Tesco to report a late payment but I might have considered this to be unfair.

Mr E was abroad when Tesco sent a letter about the missed payment on 20 January 2025. Mr E paid his arrears promptly on his return to the UK, as soon as he'd been able to open the letter. He also received Tesco's text message on 4 February 2025. Unfortunately Mr E's payment was made after Tesco had reported to the CRAs.

I recognise Mr E thinks Tesco should have sent him an earlier text message about his *missed payment, particularly given the impact a missed payment would have on his credit file, as he'd have paid straight away.*

I've found this to be finely balanced, but looking at the various methods of communication Tesco used here, I'm minded to say I'm persuaded that Tesco took adequate steps using the various methods of communication available to them to notify Mr E of what was happening on his account. Tesco provided the pop-up warnings about the direct debit, the letter of 20 January 2025, the email notification on 21 January 2025, the e-statement for January 2025, and the text message of 4 February 2025.

I acknowledge Mr E's strength of feeling that Tesco's reporting is unfair and disproportionate, particularly as he says his credit file was in great shape. Mr E said Tesco had agreed to remove the interest and charges, so it followed they should remove the impact to his credit file.

The Information Commissioner's Office expects data on a credit file to be "fair, accurate, consistent, complete and up to date."

I'm inclined to say it's accurate for Tesco to report that January 2025's payment wasn't made on its due date. And as I'm minded to say that Tesco adequately notified Mr E of the need to make a manual payment, I'm inclined to say it's fair.

I don't criticise Tesco for not amending their credit reporting as part of their response to Mr E's complaint. Tesco agreed to refund interest and charges as a goodwill gesture, in recognition that Mr E had an excellent record of payment, not because they'd made an error.

And while I recognise Mr E's frustration that this is the only blemish on his credit file, I'm not persuaded that's a reasonable basis to assess the fairness of Tesco's credit reporting. Tesco are under an obligation to report information about accounts their customers hold consistently, regardless of what other lenders haven't had cause to report.

I know this will be a disappointment to Mr E, but in these circumstances I intend to say Tesco have treated him fairly and don't intend to ask Tesco to remove the late payment information they've reported for January 2025.

Mr E is worried about the impact this will have on his financial standing and it may help him to know he can place a notice of correction on his credit file to provide a short explanation for this entry. To do this, Mr E would need to contact each of the main CRAs."

<u>Responses to my provisional decision</u>
Mr E responded that Tesco had not met the high threshold of the Consumer Duty in terms of how they communicated with him. He highlighted Tesco had missed opportunities to alert him of his missed payment before they reported it to the CRAs and had not been explicit that his direct debit had been cancelled.

Mr E thought our investigator had considered the same facts but had come to a fairer conclusion – one that was in keeping with the FCA's and ICO's expectations. Mr E asked me to reconsider, taking into account the disproportionate impact of Tesco's credit reporting.

Tesco had nothing further to add.

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 am sorry to disappoint Mr E but I haven't been persuaded to depart from my provisional decision, and I've decided not to uphold his complaint.

I acknowledge it's upsetting that I've reached a different conclusion to our investigator, which Mr E thought was a fairer outcome. I have assessed this case independently from our investigator and sometimes this means my view will differ.

The Consumer Duty requires Tesco to provide sufficiently clear information to enable and empower Mr E to take responsibility for his actions and decisions. I accept Tesco weren't explicit that Mr E's existing direct debit had been cancelled but I think the wording used by Tesco in their second pop up was sufficiently clear to alert Mr E that his direct debit was not in place, and he needed to make a payment. If Mr E thought the messages only related his new direct debit I think Tesco's message put the onus on Mr E to check his payment was made on time.

I disagree that Tesco didn't take adequate steps to notify Mr E of the missed payment before they reported this to the CRAs. They sent Mr E his statement, a statement notification and a letter before the report was made (though I accept he was abroad at the time). Mr E was responsible for monitoring and managing his account and could reasonably have checked his payment had been made given the pop up he'd read about his direct debit.

I am not persuaded the late payment marker is unfair in these circumstances as I haven't found it to be a mistake and I think Mr E had the chance to avoid it. I acknowledge Mr E feels it's disproportionate given the low amount and his previous payment history, but Tesco are obliged to report accurate information regardless of the amount involved or the previous conduct of an account.

My final decision

For the reasons I've outlined, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 1 October 2025.

Clare Burgess-Cade
Ombudsman