

The complaint

Ms C complains that Barclays Bank UK PLC trading as Tesco Bank refused to accept a promissory note as payment for her debt, failed to return the promissory note to her, terminated her credit agreement and recorded a default on her credit file.

What happened

Ms C holds a credit card account with Tesco Bank.

Ms C sent a promissory note to Tesco Bank for payment of the balance of her account. Tesco Bank didn't accept the promissory note as payment. As a result of not accepting the promissory note, Tesco Bank proceeded to default Ms C's account and recorded the default on her credit file.

Ms C requested return of the promissory note, but Tesco Bank said it hadn't retained it and instead provided a copy.

Ms C complained to Tesco Bank. She requested the return of her promissory note together with an explanation of why it couldn't be accepted as payment for the balance of her account.

Tesco Bank didn't uphold the complaint. In its final response it said it wasn't able to accept promissory notes as payment. It said the promissory note had no impact on Ms C's liability for the debt. Tesco Bank said that it had issued a Default Notice on 26 December 2024 requiring Ms C to pay arrears of £592.92 by 22 January 2025 but because Ms C hadn't responded the credit agreement had been terminated and the total outstanding balance was now due.

Ms C was unhappy with the response and brought her complaint to this service. Ms C wants Tesco Bank to return her promissory note, amend her credit file and pay compensation.

Our investigator didn't uphold the complaint. They said the ways in which payments could be made to the account were set out on the monthly statements. The investigator said Tesco Bank was under no obligation to accept a promissory note. The investigator said that Tesco Bank was unable to return the promissory note as they didn't retain originals of document scanned onto their system. The investigator said that Tesco Bank hadn't acted unreasonably by defaulting the account for non-payment.

Ms C didn't agree so I've been asked to review the complaint.

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 know it will disappoint Ms C, but I agree with the investigator's opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on those points

which are most relevant to my decision. If I don't comment on a specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I've reviewed the terms and conditions of the account. These set out when payments should be made and refer to the monthly statements for methods of payment.

I've reviewed the monthly statements. These set out the methods of payment. These methods include Pay by Bank, Direct Debit, Faster Payments, Debit Card, at any bank or by post.

Ms C agreed to the terms and conditions when she took out the card and electronically signed the credit agreement.

A promissory note isn't listed as one of the accepted methods of payment. So, there's no obligation on Tesco Bank to accept a promissory note as payment.

I've taken into account the reasons given by Ms C as to why she believes that Tesco Bank should accept her promissory note. However, I'm not persuaded by her arguments. I'll explain why.

A bank is not obliged to accept a promissory note unless it has previously agreed to do so. Whilst a promissory note is a legally binding promise to pay, a creditor (including a bank) can refuse to accept it as payment unless they have agreed to it in advance. A creditor has complete discretion as to whether it accepts a promissory note as payment. The only type of payment that a creditor is obliged to accept is legal tender, but a promissory note is not legal tender.

Based on what I've seen, I'm not persuaded that Tesco Bank was under any obligation to accept a promissory note as payment. There's no evidence of any prior agreement to accept a promissory note from Ms C and the acceptable methods of payment are clearly set out on Ms C's statements.

Ms C has requested the return of her promissory note. Tesco Bank has explained that once original documents are scanned onto its systems the original document isn't retained. I don't think this is an unreasonable policy. Tesco Bank has offered to provide Ms C with a scanned copy of the promissory note, which I think is an acceptable response to her request.

I appreciate that Ms C is disappointed that her account has been defaulted and that adverse information has been reported on her credit file. I've reviewed this, and I can see that Tesco Bank issued a Default Notice on 26 December 2024 which gave Ms C a defined time period to bring the account up to date. Because Ms C didn't bring the account up to date, Tesco Bank terminated the agreement. Based on what I've seen, Tesco Bank has followed its procedures correctly. I don't think it treated Ms C unfairly or unreasonably when it defaulted the account.

Tesco Bank – like all lenders – is under an obligation to report accurate information to the credit reference agencies. This means that when an account has been defaulted and terminated, Tesco Bank is obliged to report the state of the account to the credit reference agencies. I haven't seen anything to suggest that Tesco Bank has made an error in its reporting of the default, so I won't be asking Tesco Bank to amend Ms C's credit file.

For the reasons I've explained, I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 26 December 2025.

Emma Davy
Ombudsman