

## **The complaint**

Mr K complains Barclays Bank UK PLC trading as Tesco Bank (Tesco) unfairly defaulted his loan account.

## **What happened**

Mr K says Tesco defaulted his loan account despite him agreeing a payment plan to pay off the arrears. Mr K says he received a notification from Tesco he was in a payment plan and despite this it still went ahead and defaulted his loan account. Mr K wants Tesco to remove the default registered on his credit file and consider compensation for the stress and worry this has caused him.

Tesco says it sent a default notice to Mr K in June 2025, as a previous payment plan had been broken. Tesco says when Mr K contacted them in late July 2025 it could only set up a promise to pay for one month, until he had completed a budget form and contacted them to discuss whether or not a payment plan could be agreed. Tesco says no contact was made by Mr K so a default notice was sent in August 2025 and a termination notice in September 2025.

Tesco says it has acted fairly and in line with its process, as it was unable to approve a payment plan for Mr K without him contacting them with a completed budget form to see if a plan to clear the arrears was affordable and sustainable.

Mr K wasn't happy with Tesco's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says she listened to a phone call recording between Mr K and Tesco in late July 2025. The investigator says it was clear from that conversation Tesco had only agreed a promise to pay for one month, pending the completion of a full income and expenditure budget by Mr K and with a follow up phone call.

The investigator says while Mr K received a notification from Tesco this only related to the promise to pay arrangement, and not an agreement for a six month payment plan as he suggests. The investigator says Tesco have an obligation to correctly record customer account activity with the relevant credit agencies and it has acted fairly here and in line with its set process when defaulting the loan.

Mr K didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear this matter has caused Mr K upset and worry and this must be a difficult time for him. When looking at this complaint I will consider if Tesco acted unreasonably when it defaulted Mr K's loan account.

Mr K's complaint centres around his view Tesco shouldn't have defaulted his loan account as he had agreed a repayment plan to deal with the arrears on his loan, which it had confirmed to him.

While I understand the points Mr K makes here, I'm not fully persuaded by his argument and I will go onto explain why.

I have also listened to a phone call recording in July 2025 between Mr K and an advisor from Tesco where Mr K explained he was struggling financially to meet his monthly loan payments, having been out of work for some months. It's worth saying here that this call was prompted by the notice of default sent from Tesco in June 2025, due to the fact Mr K had broken a previous payment plan and he was around six months in arrears, by a sum of over £900. It's worth saying here Tesco had already shown forbearance at this point and arguably could have defaulted Mr K before then.

During that phone call the advisor from Tesco made it clear on more than one occasion that before any formal payment plan could be established, it was vital Mr K completed a budget form so it could determine whether or not such a plan going forward was sustainable and affordable. This in part was due to the fact Mr K was reliant on a family member to support him until he returned to work and the advisor told Mr K he needed to call them back by 4 August 2025 to discuss a plan to avoid a default.

From what I can see Mr K didn't call back or complete the budget forms asked of him and instead made the initial payment of £329.48 agreed as a promise to pay for August 2025, pending the affordability assessment Tesco needed, to make sure a payment plan was viable. It seems here, Mr K rather than contacting Tesco with a completed budget form decided to continue make the extra payments in an attempt to clear the arrears, but this was without Tesco ever agreeing to this as a way forward to avoid the default.

While Mr K says he received a note confirming the payment plan, I am satisfied this was simply a reminder of the promise to pay for one month only as discussed, and not a formal payment plan. After all Mr K hadn't contacted Tesco or provided them with a budget to show future payments would be sustainable.

I can see Tesco sent a formal notice of default in August 2025 asking Mr K to fully clear the arrears by 3 September 2025 and when this didn't happen it sent a termination letter in early September 2025, asking him to fully repay the loan by 15 September 2025. As this didn't happen and Mr K didn't contact Tesco until early October 2025, I am satisfied it acted correctly when it defaulted Mr K's loan, as after all no formal agreement was in place at that time.

So taking everything into account I can't say Tesco made any errors when it defaulted Mr K's loan account for the reasons I have already explained, so it would be unfair of me to tell it to remove the default here.

I've also considered whether Tesco acted unfairly or unreasonably in some other way given what Mr K has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mr K will be disappointed with my decision, I won't be asking anymore of Tesco.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 9 March 2026.

Barry White  
**Ombudsman**