

complaint

Mr L complains about the way Tesco Personal Finance PLC handled his account. Specifically, he's unhappy that it didn't communicate with him properly and wouldn't accept his offer to settle the debt.

background

Mr L had a credit card account with Tesco. This was defaulted and terminated in 2011. Mr L entered into a debt management plan and it was agreed that he would pay Tesco £5 per month to pay off his debt. In 2018, Mr L's debt management company went into liquidation, so his payments stopped.

Mr L attempted to contact Tesco to understand how much he owed and to arrange a settlement. Mr L explained he didn't receive any response from Tesco, and his new debt advisor wasn't able to get through either. Mr L later went through an income and expenditure form with Tesco over the telephone and offered £3,000 to settle his debt fully.

Around a month later Mr L chased a response, and Tesco said it wouldn't accept the offer. It instead gave a settlement figure of over £6,800 even though the outstanding debt was just over £6,000 at the time. Mr L complained. Tesco – in its final response – explained it had made an error with the figure on the letter. It explained it would accept around £4,800 to settle the debt. It also paid Mr L £50 compensation as an apology for the error.

Our adjudicator upheld the complaint. He explained that Tesco wasn't obliged to accept Mr L's offer in full settlement of his debt. And he explained that it followed the correct process when determining what it would accept as a settlement. But the adjudicator said that Tesco made errors. It didn't correspond with Mr L when he tried to contact it both in writing and over the phone through a third party. He also explained that Tesco's incorrect settlement figure would've caused Mr L some trouble and upset. The adjudicator recommended Tesco pay an additional £200 compensation – bringing the total up to £250.

Mr L explained that the errors Tesco made caused his mental health to decline, and he had to take around 10 weeks off work. Tesco said it felt the £50 it had paid Mr L was reasonable. It said it didn't know about Mr L's health issues at the time, and that it didn't receive some of the correspondence Mr L says he sent.

As no agreement has been reached, the complaint has been passed to me for a decision.

my findings

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 think Tesco needs to do more to put things right. I'll explain why below.

Settlement figure

Tesco isn't obliged to accept any settlement figure that Mr L puts forward. So, I can't say it wasn't being reasonable when it rejected Mr L's offer of £3,000 to settle the debt. I'd expect Tesco to assess Mr L's situation by understanding his circumstances. I can see that it gathered the relevant information over the phone with Mr L and completed an income and

expenditure form. So, I think it has taken the right steps when deciding whether to accept Mr L's settlement offer. And I won't be asking it to do anything differently in relation to this.

Tesco sent a letter to Mr L saying it would accept a settlement figure of over £6,800. This was an error, but I think this error would've caused Mr L some trouble and upset. He has told us that he struggles with his mental health, and that this situation has impacted him. Given he'd tried to settle the debt and tried to communicate with Tesco for some time (which I've covered below) I think it would've been a shock to see such a high figure.

Tesco has said that because the letter had a figure for a higher amount than Mr L owed, it was clear there was an error. But I don't think it would've been obvious to Mr L at the time. He'd been contacted by a debt collector at this point and was only in this situation as his debt management company had gone into liquidation. He'd tried to settle his debt for an amount he felt he could afford and hadn't had much correspondence in return. So, when he received a letter asking for more than he owed, I don't think he would've put it down to a clear error but instead would've been shocked at the figure. And I think this would've caused him some distress, and Tesco should pay more than £50 to recognise this. So, I think Tesco needs to do more.

Communication

Mr L has complained that Tesco didn't respond to repeated phone calls and letters. Tesco has explained that it didn't receive some of these letters, and it has no record of the missed phone calls. I've had a look at what happened. I can see that a phone conversation happened on 24 May 2018 where Mr L put forward his settlement offer of £3,000. Tesco said that it would put this forward to the relevant team, and someone will respond within seven days. But there was no response. Mr L had to chase this almost a month later. As Mr L was trying to settle his debt, and he'd had the conversation explaining his situation, I think a lack of communication from Tesco afterwards would've caused Mr L some worry.

When Mr L did chase, Tesco couldn't see that anything had been done. A few days later it sent out a letter saying it would accept an amount higher than Mr L owed. I've addressed the upset this would've caused above. And I think this is poor customer service given that Mr L had to wait a month for a letter that was incorrect anyway. He'd not been able to move forward at this point. It was only after Mr L raised a complaint that he was told of the actual settlement figure Tesco would accept.

I understand that Mr L has tried to contact Tesco on several occasions without success, and I think it's likely that this happened. But I also don't think it's fair for Tesco to be responsible for any issues caused by the postal service. This also appears to have happened when Tesco has written to Mr L with the final response which Mr L has said he didn't receive. But as I've explained above, I do think that Tesco has made errors in not responding when it said it would and issuing an incorrect settlement figure.

To put things right I think that Tesco should pay Mr L a further £200 compensation. I say this because its errors caused Mr L some distress during an already worrying time. Tesco was made aware of Mr L's situation, he tried to put things right after his debt management company went into liquidation. And it failed to respond when it said it would and caused him further worry by asking him to pay more than he owed.

my final decision

For the reasons I've explained, I uphold this complaint. Tesco Personal Finance Plc must pay Mr L an additional £200 compensation for the trouble and upset it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 28 March 2020.

Charlotte Wilson
ombudsman