

## **complaint**

Mr P complains that Tesco Personal Finance PLC (Tesco) won't accept his offer to settle his outstanding credit card debt.

## **background**

Mr P has held a credit card with Tesco since 1999 with a limit of £4,000. In 2008 – when his credit limit had been increased – he transferred the balances from a number of other cards to his Tesco card. Soon afterwards his financial circumstances changed and the account fell into arrears – with a default being registered in June 2009. In 2011 Mr P made an offer to repay his outstanding balance which wasn't accepted. However, a repayment plan of £10 per month was put in place. In 2013 Tesco agreed that Mr P could pay around 50% of his outstanding debt to resolve matters. But he couldn't afford to make that payment. Instead the ongoing repayment plan was re-set at £36 per month.

Several further offers have been made but no agreement has been reached. Mr P has now offered to pay a further £270 which he says would mean he'd repaid 50% of the original outstanding debt as had been previously been agreed in 2013. Tesco didn't accept that offer so Mr P complained. He said he hadn't been treated fairly as all his other creditors had accepted a payment of around 50-55% of his debts with them. He also said Tesco had been irresponsible in its lending when it first gave him the card and for that reason it should write off at least half of the debt.

Tesco didn't agree and said it was under no obligation to accept his offers. It asked Mr P to complete an updated income and expenditure form so that it could reassess his financial situation. As he didn't agree Mr P brought his complaint to us.

Two adjudicators looked into Mr P's complaint and concluded it shouldn't be upheld. Ultimately they said that Tesco had acted fairly in reviewing Mr P's circumstances regularly and arranging payment plans for his outstanding debt. They said Tesco weren't obliged to accept reduced offers of payments.

Mr P didn't agree. He said Tesco was asking him to "*underwrite a higher proportion of its credit losses*" which he didn't think was sympathetic or a positive outcome. He said we should have considered the settlements he agreed with his other creditors and the context in which the debt was incurred.

As no resolution could be found the complaint has been passed to me for a final decision.

Mr P said he's now been told that his debt is being transferred to another company.

Mr P has also confirmed that his complaint is about Tesco not being prepared to accept the settlement offer he's made and that he "*would be comfortable with a 50% settlement of the current balance*". So that's what I've considered here and I haven't looked at the wider point of the context in which he was first given the credit card.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr P says his complaint is about his offer to Tesco not being accepted. He says Tesco were prepared to accept an offer of around 50% of his outstanding balance some years ago and he thinks it should still accept the same sort of percentage offer – of the original balance. On the other hand Tesco says it's not obliged to accept Mr P's offer but it has made a number of offers to him already – which he hasn't accepted.

I've some sympathy for Mr P's position as I've seen that he's keen to reach an agreement with Tesco to pay off his credit card – as he's done with most of his other creditors. But I don't think Tesco has done anything wrong here – which I know will disappoint Mr P – so I'll explain why.

When Mr P first incurred financial hardship Tesco was required to treat those circumstances positively and sympathetically. But that doesn't mean it's required to accept a reduced settlement. Tesco can consider a range of options which could include reducing/suspending interest or accepting lower monthly payments for example. And I note it has agreed an ongoing repayment plan with Mr P which has been subsequently reviewed. And I've seen that Tesco has made a number of offers to Mr P which would have allowed him to pay a reduced amount of his outstanding balance in full and final settlement. So I think Tesco has acted sympathetically to Mr P's situation.

Mr P said that his other creditors accepted offers of around 50% of the outstanding balances to replay his debts with them. I note those payments were made in 2014 just a few months after Tesco had also agreed to accept payment of around 50% of the debt – which Mr P was unable to make. So I think Tesco were prepared to accept payment in line with his other creditors in 2014. But Mr P wants that same deal to be honoured four years later. I think Tesco is entitled to evaluate its position afresh after four years as Mr P's circumstances may have changed. I don't think it's unreasonable for Tesco to reach a different conclusion of what it might be prepared to accept to resolve the matter. So although Tesco did agree to accept around 50% of the outstanding debt four years ago, I don't think it's for me to tell Tesco what it should now accept in settlement of an outstanding debt. That's entirely a matter for Tesco to consider.

Ultimately here I don't think Tesco has done anything wrong in not accepting Mr P's offer of settlement. It's entitled to ask for the outstanding balance on Mr P's account or if it wants to consider what might constitute an alternative satisfactory offer. This service wouldn't normally interfere in a business' legitimate commercial decision, so I'm not going to tell Tesco what it should accept as an offer.

I note Tesco has asked Mr P to complete an income and expenditure form so that it can discuss alternative repayment options with him. I would urge Mr P to complete the form and enter into meaningful discussions with Tesco to try to reach some agreement.

### **my final decision**

For the reasons I've given I don't uphold Mr P's complaint against Tesco Personal Finance PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 7 April 2019.

Keith Lawrence  
**ombudsman**