

## **The complaint**

Mr and Mrs M complain that Tesco Personal Finance PLC trading as Tesco Bank keep reporting their loan as defaulted despite Mr M maintaining the monthly repayments.

## **What happened**

Mr and Mrs M took out a Tesco loan. Mrs M filed for an Individual Voluntary Arrangement (IVA) in 2021 and this loan was included. When Mr M found out this loan was included, he contacted them and told them he would take over the payment. Mr M was declined finance after this, and he had credit limits reduced by third party credit card providers. Mr M contacted Tesco and found out that there was a default status on the loan. Tesco said they would contact a Credit Reference Agency (CRA) to rectify this as they hadn't missed a payment, however, this happened on a couple of occasions. Mr M wanted either Mrs M to be removed from the loan or Tesco to set up a new loan for the remaining balance in just his name. Mr M made a complaint to Tesco.

Tesco did not uphold Mr and Mrs M's complaint. They said due to numerous factors taking place on the account, their credit file amendment team need to manually update the CRA's on a monthly basis. They said as this is a joint loan account, one party had entered into an IVA, whilst the other party is maintaining the contractual payments each month however, due to the CRA's they report to and how they process reporting's, this is causing an effect which needs to be manually updated. They said two of the CRA's (due to the insolvency included in this joint account) report the accounts separately, but one of the CRA's still reports this under one account. They said the IVA is causing the reporting with the other CRA to report the account as being in default even though the contractual payments are still being made. Tesco said they have no control over how CRA's report each month and regrettably, there is nothing they can do apart from to manually update Mr M's credit file each month as they are unable to change the CRA's way of reporting, nor can they remove the IVA.

Mr and Mrs M brought their complaint to our service. Our investigator upheld their complaint. He said Tesco have a duty to ensure the information it reports to CRA's shows accurately. Reporting the account to one of the CRA's means incorrect information shows on Mr M's credit file every month until it is corrected, which impacts his credit score, so Tesco removing this each month doesn't go far enough to rectify the error. He said this has caused Mr M significant distress and inconvenience. Our investigator said that Tesco should either remove Mrs M from the credit agreement or stop reporting the account to the CRA who displays a default each month. He said Tesco should also pay £200 compensation.

Tesco asked for an ombudsman to review the complaint. They said they wouldn't be able to change the loan into Mr M's name only and both parties had entered into a legally binding agreement by agreeing to a joint loan. They also said that they would be unable to stop reporting the loan to one of the CRA's and this could have further implications on any future creditors being able to see the loan payment history.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

*I do have a lot of sympathy for the position that Mr M finds himself in here. It's clear that what has happened with the IVA is directly affecting his credit file with one of the CRA's and has resulted in him being declined for credit and his credit score decreasing when the account shows as defaulted. But what I need to do here, is to see if Tesco are responsible for what happened here.*

*When Tesco were informed that this loan was subject to the IVA, they would need to respect this and act accordingly here. This appears to have happened prior to Mr M contacting them to say he would take over the payments. There could be issues with the Insolvency Practitioner if Mrs M was removed from a loan which is part of the IVA as it would then be likely showing as settled on her credit file, which would be unfair when the loan wasn't actually settled, and it could potentially breach her IVA. In addition, if Mrs M breaches or doesn't complete the IVA, then she ought to be still liable for the loan again, and Tesco wouldn't be able to remove her from the loan and add her back if that happens. But I don't think Tesco should remove Mrs M from the loan regardless and I'll explain why.*

*This was a joint loan agreement which was entered into, and as such, both parties are liable, so it wouldn't be proportionate to remove Mrs M from the loan, and I wouldn't expect Tesco to do this here, when both parties had agreed to a joint loan. I also couldn't ask Tesco to set up a new loan for Mr M only as a new lending decision would need to be completed based on current circumstances. Mr M's situation may have changed from when the loan was first taken out and Tesco's lending criteria may be different now to how it was when the loan was first taken out, including interest rates. They would have no obligation to do either of the things which Mr M has asked them to do.*

*Tesco have a duty to report payment history to the CRA's. They would be failing in their duties if they stopped reporting the payment activity to one of the CRA's. This also could have larger implications if they were to do this. I say this because if the five figure loan was not reported to the CRA then other lenders would not be aware that Mr M had a five figure loan with Tesco, and they would not be aware he was paying nearly £330 a month towards this loan. So a third party could irresponsibly lend to Mr M unintentionally with them not being aware of his full circumstances if the loan was not reported to the CRA.*

*In addition, if the loan was not reported to the CRA and Mr M had financial difficulty and he was unable to meet the full monthly repayments, then the CRA would not be able to show that Mr M was unable to maintain his payments and again, this could lead to an unfair lending decision with third party lender if Mr M was to try and get credit elsewhere. So I can't ask Tesco to breach their duties here and to stop the reporting of this loan to the CRA's.*

*I'm not persuaded that Tesco are giving the CRA's incorrect information. They show that the payment has been made even when one of the CRA's displays the account has defaulted. I say this as Mr M has provided us with a copy of his credit file. For the December 2022 credit file he gave us I can see on the Tesco entry that the loan had received the payments and the balance history is going down each month, showing a payment had been paid each month. But even when the October 2022 shows a payment and an outstanding balance of £15,608 for October 2022, even when it shows a default with November 2022's status, it shows the outstanding balance is £15,240 for November 2022, which indicates a payment had been made that month.*

*The fact that two CRA's do not report a default on Mr M's credit file suggests that Tesco themselves are not telling the CRA's that Mr M himself has defaulted on the loan. As this*

*complaint is about Tesco, I can only see if they have done anything wrong here. They would be factually correct if they told the CRA's the loan is part of an IVA due to the arrangement Mrs M has entered into. But Mr M may wish to speak to the CRA to see if they can display the information differently.*

*I'm persuaded that Tesco have tried to help Mr M here, although I know he feels they could do more. But I'm not persuaded they could do what Mr M wants them to do as they would be failing their regulatory duties, and this could cause more harm to both Mr and Mrs M for the reasons I've already given. I know it's not Mr M's preferred solution, but Tesco manually contact the CRA each month for them to correct Mr M's credit file, which I'm persuaded is proportionate here. I know Mr M has been declined for credit (and had a reduction in his credit limit), and his credit score is impacted whilst awaiting the credit file to be rectified, but I can't hold Tesco responsible for how a CRA displays the information on his credit file when they have reported payments have been made. So I don't intend to ask Tesco to do anything further here."*

I invited both parties to let me have any further submissions before I reached a final decision. Neither party responded to my provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 12 October 2023.

Gregory Sloanes  
**Ombudsman**