

The complaint

Mr C has complained that Tesco Personal Finance PLC ("Tesco"), trading as Tesco Bank, defaulted his credit card account after he'd agreed a short-term repayment plan.

What happened

Mr C contacted Tesco in January 2023 to say he was experiencing a change in his circumstances and so wouldn't be able to meet the normal monthly repayments for his card. He therefore asked for payment holiday. Tesco said whilst it couldn't agree a payment holiday, it was able to agree a reduced payment. Mr C therefore agreed to make three monthly repayments of £5, starting in January 2023.

Tesco says that its representative made Mr C aware of what might happen if he missed one of the agreed reduced payments and that he'd need to let them know if anything changed. He was also told to contact Tesco after the agreed repayment plan ended in March 2023.

Tesco then sent Mr C a letter confirming the agreement and saying that Mr C must contact Tesco immediately if he's unable to meet one of the reduced payments. The letter also advised that he could be issued with a default notice for not meeting the agreed repayments. He would then be required to repay the full repayment amount that was due on his card within 28 days.

Tesco wrote to Mr C when he failed to meet the second (February) payment, asking him to clear the full arrears on the card. A default notice was issued on 15 March 2023 confirming that because he'd missed two of the payments the full amount of the card repayment arrears was now due. On 11 April Tesco wrote again to Mr C to say that the account had been terminated as he hadn't cleared the overdue payments that he been required to make as set out in the default notice.

Our investigator didn't uphold the complaint. Whilst sorry to learn of Mr C's difficult financial circumstances, he didn't think Tesco had acted unfairly in putting the account into default.

Mr C disagreed with our investigator's opinion so the complaint has been passed to me.

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.

We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Mr C says that he wasn't living at his home address when Tesco wrote to him about the arrears. It doesn't look like he informed Tesco of this. He says that Tesco ought to have done more to contact him when he didn't respond to the letter about the arrears or the default notice. He also says when he checked his account online he didn't see anything to

suggest there was a problem with the account. He also says he expected Tesco to contact him via text or app if there was a problem, as it had done on other occasions.

I realise Mr C considers that Tesco has acted unfairly in defaulting his account, especially given the relatively modest amount of payment arrears that was outstanding. But I think Tesco took reasonable and appropriate steps to make him aware of what would happen if he missed the £5 payments that were due under the repayment plan. As I've said above, Tesco's representative informed him of this at the time of making the agreement and Tesco then sent correspondence confirming the position.

Mr C said he wasn't living at his home address to receive the correspondence when he missed payments. But Tesco couldn't have known this unless he told them – and there's no evidence that he did. And so it was up to him to take steps get access to his post. I also don't think that after having been informed and received correspondence about what would happen if he missed the repayments at the outset of the agreement, it was prudent of Mr C to make the assumption that he'd be notified in the same manner as when he received other notifications from Tesco relating to his account. I say this especially given that he knew that if he missed payment he could face formal consequences by way of the account being defaulted and then terminated.

Mr C also says he had another Tesco card account in a similar financial position where the account was not put into default. I think the key difference here is that Mr C had made an agreement with Tesco. Once he had failed to keep to that agreement, the arrears process Tesco had told him about was started. And I can't see that Mr C took steps to contact Tesco to say why he couldn't meet the repayments.

I am very sorry to hear of the impact that his financial difficulties have had on Mr C's personal situation. Although I know Mr C would like me to do more, having thought carefully about everything I've seen, I don't consider Tesco has acted unfairly. I therefore won't be asking Tesco to do anything more.

I am sorry to have to disappoint Mr C on this occasion.

My final decision

For the reasons I've set out above, I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 21 February 2024.

Michael Goldberg

Ombudsman