

The complaint

Mrs L complains that Tesco Personal Finance PLC, trading as Tesco Bank, didn't treat her fairly when she was experiencing financial difficulties.

What happened

Mrs L had a credit card account with Tesco. Following a change in circumstances she asked to repay the debt through a reduced settlement. She complains Tesco didn't do enough to help her with this, and that its action led to the account defaulting when it shouldn't have.

Tesco didn't agree it had done anything significantly wrong, so Mrs L asked our Service for an independent review. Our Investigator thought that Mrs L's complaint had merit and recommended it be upheld. In summary, he thought Tesco should remove the default and pay some compensation.

Mrs L accepted the Investigator's recommendation. Tesco didn't. It remained of the view it had treated Mrs L fairly and asked for the complaint to be considered further. As an agreement couldn't be reached the complaint was passed to me to decide. I enquired with Tesco about whether it wanted to do something different here for Mrs L, given her difficult personal circumstances, however it declined to do so. I then went on to make a formal determination on the matter.

I issued a provisional decision where I explained I couldn't look at part of the complaint Mrs L raised because it had been raised too late under the rules I must follow. In relation to the part of the complaint I *could* look into, I didn't find that Tesco had treated Mrs L unfairly. In summary, I acknowledged there had been a misunderstanding about Mrs L's finances that likely led to her settlement offer being declined. However, I noted Tesco was unable to contact Mrs L for some time following this despite reaching out. So, I didn't think it had an opportunity to clarify matters with Mrs L and, therefore, it wasn't unreasonable to decline her offer overall.

I also noted that Mrs L was unhappy that Tesco wouldn't allow her to complete a balance transfer on the account for the outstanding amount. However, as the account was closed, I didn't think it was unreasonable that Tesco said this wasn't possible.

Tesco didn't respond to the provisional decision, or this service's reminder to it sent afterwards, by the deadline set. Mrs L responded to say she disagreed with the decision. In summary, she repeated some of her previous points and also outlined that Tesco's only option to resolve matters was to apply a default, when she had clearly reached out to avoid that. Mrs L also said this advice led to her being in more debt, and this could have been avoided had Tesco sympathised with her difficult situation. Mrs L said she wasn't thinking clearly at the time, otherwise she would have questioned Tesco's advice.

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 haven't changed the opinion I expressed in my provisional decision. I've explained my reasoning below. But before I do so, I want to say that I have taken on board all of the additional comments raised in response to the provisional decision.

I want to start by saying this has clearly been an incredibly difficult time for Mrs L and her partner, and I was very sorry to hear about all that they've been through. I must, however, approach this matter objectively. And having done so, I won't be upholding this complaint. I'll explain why.

Mrs L had a contractual relationship with Tesco. It would provide credit, up to a certain limit, and would expect repayment of the credit that Mrs L used plus interest. In return for this facility, Mrs L would pay said interest, and make at least minimum monthly repayments. Following a change in Mrs L's circumstances she asked Tesco to agree to something different – she would only pay back about half of what she owed it.

Tesco was open to considering a partial settlement of what Mrs L owed. But it said it would only do so once the account had been closed as defaulted. Mrs L doesn't think this was fair. Mrs L complained about this and received a final response in March 2020. I don't have the power to consider this complaint because it wasn't referred to our service within six months of the final response being issued – see DISP 2.8.2(R).

Following this, Mrs L continued to seek a partial settlement with Tesco and ultimately, in line with the information set out in the final response letter, the account was defaulted. This was because Mrs L felt she needed to stop making repayments and allow the account to default so that her partial settlement offer could be considered. And Tesco did then go on to consider her offer.

Upon considering the offer from Mrs L, Tesco then declined it. It seems that this was more likely than not in part due to a misunderstanding about Mrs L's finances, which was certainly unfortunate. That being said, I've considered that Tesco's contact notes suggest it tried to contact Mrs L several times in the months that followed this period but was unable to discuss matters with her. So, whilst Tesco may have made a mistake here, given that it didn't have a chance to clarify matters with Mrs L, I think it was reasonable for it not to accept her offer.

Tesco's notes suggest that it did have the opportunity to speak with Mrs L in December 2020. It agreed to place a 30-day hold on the account and arranged to check how Mrs L was doing in the new year. As I understand it, Tesco also asked Mrs L to provide updated income and expenditure information, however I can't see that this was provided. So, I'm not persuaded that Tesco had the opportunity to recognise the error here. I therefore think it was reasonable for it not to accept her offer here either.

The contact notes suggest several more months passed until 2022 when Mrs L asked to complete a balance transfer for the outstanding amount. Tesco said this wasn't possible due to the fact that the account was closed. Overall, I don't consider this to be unreasonable and can understand why the action couldn't be processed on an account that had been terminated some time ago.

Therefore, whilst I certainly empathise with Mrs L's situation, overall, I don't think that Tesco has treated her unfairly here. I note it has recently agreed to accept a reduced settlement of £2,000 towards the debt – I'll leave this matter to the parties to discuss further between them. But, overall, I don't find that Tesco has treated Mrs L unfairly here. It follows that I don't uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 17 January 2024.

Hana Yousef
Ombudsman