

The complaint

Mr R is unhappy with how Tesco Personal Finance PLC, trading as Tesco Bank, calculated his balance and allocated payments he made.

What happened

Mr R had made several balance transfers (“BT’s”) to his Tesco credit account which had 0% interest offers expiring at different times. Mr R was careful to always clear the BT amounts before the 0% interest offer expired, and he was also careful to clear any monthly purchase amounts he made on the credit account before interest on those purchase balances became due. So, Mr R was surprised when he received an account statement from Tesco which showed a balance he didn’t recognise, and that interest had been incurred on the account.

Mr R complained to Tesco about his concerns but wasn’t satisfied with the response he was given, especially as Tesco appeared to suggest that they were allocating payments he’d made to the account in a manner that wasn’t in keeping of the terms of the account. So, Mr R referred his complaint to this service.

One of our investigators looked at this complaint and liaised with both Mr R and Tesco. After a lengthy investigation it transpired that the balance Mr R didn’t recognise was an accumulation of balance transfer fees that Mr R hadn’t paid. Given the legitimacy of this balance, it was consequently confirmed that the manner in which Tesco had allocated payments Mr R had made to the account was correct and in line with the account terms. And this also meant that the interest that had accrued on the account was also correct.

Mr R felt that Tesco hadn’t effectively communicated the fees to him and asked our investigator to recommend that Tesco refund interest charges incurred on the cumulative fee balance and allow an interest free grace period for him to repay that balance. However, our investigator felt that the action Tesco had already taken – which included a four-month interest waiver and interest reimbursement – already represented a fair opportunity for Mr R to have addressed this balance and didn’t feel that Tesco should be asked to waive any interest that had accrued beyond that point. Mr R remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

This service can only consider a point of complaint if that point of complaint has previously been raised to the respondent business so that the business has had the opportunity to consider and investigate it and to formally respond to it.

In this instance, Mr R complained to Tesco about how payments he’d made to the account had been allocated to the various BT balances and monthly purchase balances, and about how interest had accrued on the account which he felt shouldn’t have been the case.

But it's now been shown that – because of the cumulative balance of the many BT fees, which Mr R hadn't considered – that the way in which Tesco allocated the payments Mr R made to the account, and the interest that Tesco calculated as being due on the account, was correct. And Mr R has acknowledged this point in his correspondence with this service.

Mr R further complains that Tesco didn't clearly inform him about this BT fee cumulative balance, which he feels led to him not taking it into consideration and therefore incurring interest on the account. But I feel that this is a new and separate complaint to the one which Mr R initially raised with Tesco and is one which Mr R hasn't yet had the opportunity to articulate to Tesco or which Tesco have had the opportunity to formally respond to.

As such, I won't be considering this further aspect of Mr R's complaint in this letter, and I leave it to Mr R to raise his further complaint with Tesco, should he wish to do so.

Finally, regarding this complaint, Tesco have acknowledged that Mr R didn't receive the standard of service from them he was entitled to expect when he contacted them about the matter, including that several promised phone calls to Mr R weren't made. Tesco have apologised to Mr R for this and have paid £75 to him as compensation for any upset or trouble he may have incurred as a result.

Matters of compensation can be subjective. But the payment of £75 that Tesco have made for the poor service Mr R experienced feels fair to me here. And I can confirm it's in line with the general framework this service uses when considering compensation amounts for upset and inconvenience – details of which are on this service's website – and that it's therefore commensurate with what I may have instructed Tesco to pay, had they not done so already. As such, I won't be instructing Tesco to take any further action in this specific regard.

It follows then that I won't be upholding this complaint – about how Tesco allocated payments that Mr R made or about the interest that accrued on the account – because I'm satisfied that these have been proven to have been undertaken correctly by Tesco.

But I confirm that this decision doesn't in any way consider whether Mr R was clearly and accurately informed of the BT fees being applied to his account and the ongoing cumulative balance of those fees – or make any comment on Mr R's own responsibilities to have been aware of those unpaid BT fee balances.

And while it could be argued that this further complaint has only arisen because of the investigation conducted by our investigator here, I feel that for the sake of clarity of understanding, as well as because of the limitations imposed by the remit of this service as previously described, this further complaint should be the subject of a separate new complaint, so that Tesco have the opportunity to formally respond to it.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 August 2023.

Paul Cooper
Ombudsman