

The complaint

Mr S complains that Tesco Personal Finance PLC trading as Tesco Bank (Tesco Bank) unfairly applied a late payment marker to his credit file resulting in him being denied credit and losing out on work.

What happened

Mr S has a loan with Tesco Bank that he took out in early 2020. The monthly payments for the loan are due on the 15th of each month and are normally made by direct debit.

Mr S is a self-employed contractor and in March of 2023 he began to have issues with his payments from his client arriving late. So, he cancelled his direct debit and made a one-off direct payment to the loan on 29 March 2023. In April 2023 Mr S called Tesco to let them know he was still experiencing the same problems and would make a payment at the end of the month. Tesco advised him that he needed to make his payment by 25 April, or it would be reported to his credit file as a late payment. Mr S told the call handler she was wrong as he had made March's payment later than the 25th and he hadn't had a late marker added to his credit file. He reiterated he would make the payment at the end of the month because that is when he would be paid, so it wasn't possible before that.

Mr S says he made the payment through his bank at the end of the month, but because this was a bank holiday, Tesco Bank didn't receive the payment until 2 May 2023. Tesco applied a late marker to Mr S credit file, as no payment had been received towards the loan in April 2023.

Mr S says following this late payment marker being added to his credit file two other lenders reduced the credit limits on his credit cards, leaving him on holiday without access to funds. He also said that he lost a contract of work because of the late payment marker. He complained to Tesco Bank because of this.

Tesco Bank explained that payments are due on the loan on the 15th of each month and if payments are not made on time, then it has a duty to record this on Mr S's credit file. And as his payment wasn't made on time it had recorded the late payment marker correctly. However, it did say that the call handler had given Mr S some incorrect information when she said the cut-off date for payment was 25 April. She should have explained that the cut-off for payment is the date the payment is contractually due – in Mr S' case this is the 15th of each month. They offered Mr S £25 to recognise this.

Mr S remained unhappy with Tesco Bank's answer and so brought his complaint to this service. At that time, he also explained that when calling Tesco to deal with his account he had been passed to a third party debt collection company, and he was unhappy with this as he hadn't missed any payments and his account was up to date.

Our investigator didn't think Mr S' complaint was one that should be upheld. In summary she said Mr S hadn't made his contractual payments on time and so Tesco Bank hadn't done anything wrong in recording the late payment marker. She also explained that Tesco Bank outsource their collections work to the third-party company who deal with the collections of

late or missed payments on behalf of them. This was why when Mr S called to deal with his account, he had been passed through to the third party company.

Mr S disagreed with the investigator, in order to put things right he feels Tesco should remove the late payment marker and pay him compensation including loss of earnings. The matter has now been passed to me to decide.

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.

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

For the sake of clarity, I think it's also useful to explain here to Mr S the difference between a late payment marker and a default. The first is something that is recorded where a payment on a credit account has fallen behind and this can be added at anytime from the moment the payment is overdue. One late payment marker can have an effect on a credit file but it's unusual for it to have a large impact.

Whereas a default is generally added to a credit file if an account has been in arrears for more than three months and this has a much more detrimental to a credit file. This is because it's a record that the borrower has defaulted on the contractual terms to pay the lender.

Tesco recorded a late payment marker on Mr S' credit file not a default marker. My role here is to decide if they did so fairly. Before I do I want to explain that all lenders have a duty to accurately report account performance data to the credit reference agencies (CRAs). This means if a payment is made late then lenders should record this. So, what I'll be looking at here is did Tesco Bank record the information correctly – if they did then I can't fairly say they have done anything wrong, regardless of any consequences Mr S feels happened as a result of the information being recorded.

Mr S had a contractual payment date of the 15th of each month. I accept what he has said that he made a manual payment through his bank at the end of April towards his Tesco Bank loan. Tesco has provided evidence showing they only received this payment on 2 May 2023. Mr S says this is due to bank holidays, and while that may well be the case, it doesn't negate the fact the payment was later than the contractual payment date. So, I can't fairly say Tesco Bank did anything wrong in recording the late payment marker in this instance.

I've gone on to consider Mr S's other arguments that he made a payment after the 15th the month before and didn't get a late payment marker and that he was given the wrong information on the phone.

It's true Mr S made a payment in March that was later than the due date and it appears no late payment marker was added to his credit file. Tesco Bank like other lenders share data with CRAs periodically – normally monthly. When they provide the information, it is a snapshot in time of the account. While I can't definitively say why Mr S' account didn't attract a late payment marker in March, I can say it's more likely than not that when Tesco Bank shared the data with the CRAs that month his account was already up to date. So even though he didn't get a late payment marker in March it doesn't follow Tesco Bank were wrong to record the April payment as late.

Although the call handler told Mr S the incorrect information that he needed to make the payment by the 25 April 2023 to avoid a late payment marker, I don't think there was any detriment caused here. I say that because Mr S didn't make the payment by that date either, he made it much later and so he didn't rely on what the call handler had told him about the payment date. So, I think the £25 they offered to him in recognition of this was fair in the circumstances.

I understand that Mr S strongly feels the consequences of the late payment marker have been significant, but as I already explained I can't look at those consequences as Tesco Bank recorded the late payment marker correctly. But for completeness here, even if I could, the evidence Mr S has provided doesn't support that the things that happened were attributed to the late payment marker on his credit file. I say this because the termination of his contact was agreed with him on 17 August 2023, much later than the late payment marker was added to his credit file. And it makes no mention of the reason for this being the late payment marker.

Mr S has also provided a screenshot showing his credit limit on a credit card being reduced from 4 May 2023, but again this makes no mention of the late payment marker being the cause. So even if I thought Tesco Bank had done something wrong here, which to be clear I don't. I wouldn't be able to ask them to compensate Mr S for the things he perceives to be the consequences of the late payment marker.

I know Mr S will be disappointed with this outcome. But my decision ends what we – in trying to resolve his dispute with Tesco Bank– can do for him.

My final decision

For the reasons set out above, my final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 January 2024.

Amber Mortimer
Ombudsman