

## The complaint

Mr C complains that Tesco Personal Finance PLC trading as Tesco Bank have charged him foreign transaction fees when he shouldn't have been paying for them.

## What happened

Mr C says that following a conversation with a supermarket's customer services regarding their loyalty scheme, he opened an account with them paying £7.99 a month subscription. He says he used the link on their site, and he applied for a Tesco Clubcard credit card under the belief that there would be no charges when he used the card abroad. Mr C says for the first couple of months from when the account was opened, he used to log online and reconcile the entries that appeared on his transaction screen with his monthly statement until he was confident they matched, then he just relied on the transaction screen and paid the full outstanding balance shown on the payment screen.

Mr C says he actually downloaded and checked a statement when looking for an entry and he discovered that he had accumulated £343.62 in fees, but the transaction screen hadn't displayed these fees. Mr C rang Tesco Bank who informed him he needed to open a Tesco Clubcard Plus credit card as opposed to the one he had. Mr C became an additional cardholder on his wife's Clubcard Plus account, but the card looked identical to his original card apart from the 16 digit number. Mr C says he rang Tesco Bank to check it was the correct account and wouldn't incur foreign transaction fees but he was passed around different departments before being told at the end of a 51 minute call that it was the correct credit card. He was offered £25 compensation for this. Mr C made a complaint to Tesco Bank.

Tesco Bank said Mr C's original account does not have the benefit of no foreign transaction fees. They provided a weblink to a site where he could apply for an account where no foreign transaction fees applied, and they said they did not give him incorrect information on the phone. Mr C brought his complaint to our service.

Our investigator said she'd seen no evidence of Tesco Bank sending Mr C a link to apply for the credit card, so she couldn't conclude that Tesco Bank instructed Mr C to use an incorrect link or that they caused him to apply for the incorrect card type. She said Mr C was given a credit agreement and this explained he would be charged 2.75% of every foreign transaction, so Tesco Bank did make him aware of the fees, which should've indicated this wasn't the card Mr C intended to benefit from. She said Tesco Bank provided the charges in the statements for Mr C to view and so she couldn't say they acted incorrectly.

Mr C asked for an ombudsman to review his complaint. He made a number of points. In summary, he said the calls he had with Tesco Bank demonstrated that the staff who administer the accounts clearly don't know the difference between them, so how was he supposed to know the difference between them. He said he wanted an account which didn't charge foreign transaction fees. Mr C said he wasn't 100% certain an in-store advisor gave him the information, but if it was they should be Tesco Personal Finance staff as normal supermarket staff would not be trained to give advice on the account. Mr C says that as the credit card statements show the same branding, then how was he supposed to know which

account he actually has. He wanted to know if Tesco Bank had changed the look and feel for their website since his application was first made.

### **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.

Firstly, I'm aware that I've only summarised Mr C's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I must make it clear to Mr C that I'm only able to focus on the actions of Tesco Personal Finance PLC trading as Tesco Bank as part of this complaint. I say this because Mr C may have spoken to a staff member at a supermarket regarding this credit card. But the supermarket is a different entity than Tesco Personal Finance PLC trading as Tesco Bank, and as such, our jurisdiction doesn't cover the potential actions of the supermarket. I can confirm to Mr C though that Tesco Bank have confirmed that they are a digital only bank, and they don't have any employees in supermarkets. In addition, they have confirmed they do not offer advice on financial products, so I can't hold them responsible if Mr C was told something by a supermarket employee.

As Mr C wasn't 100% certain if an in-store advisor gave him the information, I asked Tesco Bank if Mr C gave them a phone call prior to his application. Tesco Bank confirmed that if he had contacted them by telephone, they would have records of the call. They confirmed they had searched their telephony system for up to four months prior to Mr C's application using his contact numbers and they couldn't find any calls. They have said it could be possible that Mr C may have rung the team responsible for the supermarket's loyalty scheme, but they are not part of Tesco Personal Finance PLC (or Tesco Bank). So while it's not clear whether Mr C was given the link for the credit card he wanted in person or over the phone, I'm satisfied there's no evidence it was provided by Tesco Personal Finance trading as Tesco Bank. The earliest call they could locate with Mr C was 29 June 2021 – which was several months after Mr C had already opened his credit card.

I've considered the application journey that Mr C had when applying for the credit card. Tesco Bank have confirmed that there hasn't been any significant change to their website since March 2021. They've said every credit card they provide is branded as a Clubcard credit card as their customer can link this to their supermarket loyalty card to earn additional points. The type of credit card Mr C wanted with no foreign transaction fees is only available through the supermarket's loyalty scheme.

Mr C would have been required as part of the application process to read the terms and conditions and digitally sign his credit agreement. He would also be able to download his personalised documents at the end of the application. He could only continue the application after he had agreed to each section (such as things you need to know about taking out a credit card, a summary of your credit card, general conditions and your credit card agreement).

So I've looked at Mr C's credit agreement – which he would have needed to agree with to complete his application. Page 13 of 27 confirms that there was a foreign exchange fee of 2.75% and the "*Fee applies to all transactions made in a foreign currency*". I can see that Mr C electronically ticked the box which said he "*agree(d) to be bound by the terms of this credit*

*agreement*" and this was done on Monday 22 March 2021 at 19:59pm. So while Mr C may have intended to open a credit card with no foreign transaction fees, he agreed to be bound to the terms of the credit agreement which did have a foreign transaction fee.

So I do think it was clear the account Mr C applied for had a foreign transaction fee that would be charged for all transactions made in a foreign currency. This is also confirmed on page 5 where it says *"for transactions in foreign currencies, we'll charge you 2.75% of the value of every transaction"*, and page 11 in the *"Foreign Usage"* section, which shows the foreign exchange fee as 2.75% of the transaction. So this was mentioned several times prior to Mr C submitting his application. So what I would expect Mr C to do here when he saw these charges is to abandon his application and check with Tesco Bank that he was applying for the card with no foreign transaction fee, instead of signing to say he wanted to be bound by the conditions which included a foreign transaction fee. And as I've mentioned previously, there is no evidence Mr C rung Tesco Bank prior or during his application to query why the account had a foreign transaction fee. As such, I can't hold Tesco Bank responsible for Mr C opening an account he didn't intend to open.

I've considered what Mr C has said about Tesco Bank's credit card statements showing the same branding, so how would he know which account he actually has. His statements were issued after he applies for an account, and they would have a unique account number. So Mr C would be able to match up his statement to his account to know which account he has. In addition to this, Mr C's statements show for the original account he opened a *"summary box"* which includes a *"Foreign Usage"* section. This section shows the foreign exchange fee as 2.75%, which the other account which wouldn't have the foreign transaction fee wouldn't show this. So while the branding may be the same at the top of the statement, the information on the statement isn't the same.

I've considered what Mr C has said about the transactions screen not showing the foreign charges. I asked Tesco Bank about this. They told me that the transaction screen is a guide to help customers manage their account between statements showing rolling transactions and customers should check their monthly statement for a full accurate breakdown of fees. As it is a commercial decision for how Tesco Bank operate their online account services, our service is not able to tell Tesco Bank what they should display as part of this. What I need to be satisfied with is whether Tesco Bank had communicated the charges to Mr C. And I'm satisfied they had. I say this because not only were they clearly detailed in the credit agreement he agreed to be bound by, but also on each statement.

The general conditions of Mr C's account show that *"We'll send you a statement in any month where you have a balance on your account or there has been any activity on your account. This will show the balance on your account on your statement date, any payments you've made to us, and any charges we've made since your last statement."* So any charges such as foreign transaction fees would show on his statement. The general conditions also show that they may tell him about any changes to his agreement via his statements, so there would be an expectation that Mr C would check each statement. It would be Mr C's responsibility to check his statements when Tesco Bank have notified him they are available to view.

I've considered what Mr C has said about the phone calls he had with Tesco Bank. They have identified seven calls with Mr C in total from 29 June 2021-5 November 2022. Tesco Bank no longer have access to the calls from 2021 (two calls in total – 29 June and 18 September 2021), so I'm unable to listen to these calls. But I'm not persuaded it's likely that Mr C spoke about the issues he complained about here. I say this because these calls were several months after he applied for the account, and if he discussed foreign transaction fees here, then it's reasonable to assume he wouldn't have continued making foreign transactions on his original card if this was discussed on the phone.

The first call I've listened to on 14 April 2022, is relating to a payment clearing on his account and is not related to the issues Mr C has raised as part of this complaint. The call on 29 April 2022 is also unrelated to the issues on this complaint as it was about a payment made to his account. The call Mr C has with Tesco Bank on 24 October 2022 is when Mr C tells the call handler he has only recently noticed he is being charged foreign transaction fees when he believed he shouldn't have been charged them. The call handler confirms that there is foreign transaction fees on all of their cards apart from one. He tells Mr C that it doesn't appear he has the Clubcard Plus credit card and looks like the standard Clubcard credit card he had with them. He tells Mr C how to apply for the card with no foreign transaction fees. So I'm satisfied that the call handler was clear on this call that Mr C didn't have the credit card with no foreign exchange fees and told him how he would need to apply for one separately.

Mr C calls Tesco Bank on 5 November 2022. The beginning of the call recording Tesco Bank have provided me starts with a call handler transferring Mr C to a colleague. She tells her colleague that Mr C has been transferred four times already. Mr C tells the call handler that he spent 36 minutes getting nowhere. This call appears to be after Mr C became an additional cardholder on another account, and as the cards looked the same he wanted to ensure there was no foreign transaction fee on the new card. The call handler believed there was no foreign transaction fee on the card but asked Mr C if he didn't mind waiting on hold while she double checked. When the call handler returned she gave Mr C incorrect information by saying he shouldn't have been charged the foreign transaction fees on his original card for the Clubcard Plus account. But she doesn't appear to realise that Mr C's original account wasn't a Clubcard Plus account.

The call handler says she will definitely check whether it was an account where the fees could be removed, as she says it would be unlikely he could apply for another Clubcard Plus account if he already had one. She also says she could pay Mr C £25 for the poor customer service he had. She said she would give Mr C a call back once she had the information as she didn't want to put Mr C on hold again. I've listened to the call when the call handler calls back Mr C. The call handler gives Mr C further incorrect information on this call as she says he didn't subscribe to the £7.99 loyalty subscription before he applied for the credit card and that's why the system didn't pick it up. She then confirms the fees were applied correctly on the original account. She confirms the original card would still charge fees for using it abroad, and raises a complaint for Mr C.

So I do think Tesco Bank let Mr C down with the service he had on 5 November 2022. He was transferred several times and he was told incorrect information from a call handler. While she later told him the correct information, it was clear that she wasn't sure of their process, and this came across as confusing when she told Mr C incorrect information then correct information (and therefore the information was conflicting). Mr C was offered £25 compensation on this call for the poor customer service. And I do think it's fair that Tesco Bank pay Mr C for the inconvenience he had on this date. The £25 is in line with our guidelines for the impact of the poor customer service here. So it follows I'll be asking Tesco Bank to honour the £25 compensation they offered Mr C if they haven't paid it to him already.

### **My final decision**

Tesco Personal Finance PLC trading as Tesco Bank has already made an offer to pay £25 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Tesco Personal Finance PLC trading as Tesco Bank should pay Mr C £25 for inconvenience (if they haven't already paid this). But I won't be requiring them to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 August 2023.

Gregory Sloanes  
**Ombudsman**