

The complaint

Mrs L complains about the way Tesco Personal Finance PLC (Tesco Bank) handled a payment holiday application for her personal loan.

What happened

Mrs L has a loan and credit card with Tesco Bank that fell into arrears at the start of January 2020. In April 2020 Mrs L applied for a payment holiday for both her loan and credit card. At this point, the loan was four payments behind but Mrs L's credit card payments were up to date. Mrs L has explained she received a text message from Tesco Bank to confirm the payment holiday had been approved and assumed it covered both the loan and credit card.

In July 2020 Mrs L spoke with Tesco Bank on several occasions and was given incorrect information. Mrs L says the service she was given was poor and the call handlers were rude. Mrs L complained to Tesco Bank about the way her payment holiday had been dealt with.

Tesco Bank sent Mrs L a final response in September 2020 and apologised for the service provided. Tesco Bank said Mrs L wasn't eligible for a payment holiday on her loan as she was four payments in arrears in April 2020 when she applied. Tesco Bank said the credit card payment holiday had been approved as it was up to date.

Tesco Bank went on to add it had used "holds" on Mrs L's loan account in January and April 2020 due to the arrears. Tesco Bank said it couldn't offer a backdated payment holiday. Tesco Bank paid Mrs L £150 and apologised for the service provided. In light of the incorrect information given to Mrs L, Tesco Bank agreed to amend her credit file and remove the missed payments recorded between May and September 2020. Tesco Bank said the loan would report as being four months in arrears.

Mrs L referred her complaint to this service and it was passed to an investigator. They asked Tesco Bank to pay Mrs L a further £50, taking the total award to £200. They also asked Tesco Bank to amend Mrs L's credit file in line with its final response. Mrs L asked to appeal and said she'd been told the payment holiday was approved in April 2020. Mrs L also said she'd tried to pay back the four months missing payments but Tesco Bank insisted she deals with them all. Mrs L also said the information Tesco Bank was recording on her credit file was wrong and that the £150 she'd received wasn't a fair way to resolve the complaint.

As Mrs L asked to appeal, her complaint has been passed to me to make a 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.

When considering how to resolve a complaint, we try to put the consumer back into the position they would've been in had no error been made. Mrs L has explained she was told the payment holiday for her loan was approved in April 2020 and acted on that information. I understand Mrs L's view that the payment holiday should be retrospectively applied to her

loan account and credit file. But the error in this case is that Mrs L was led to believe she qualified for a payment holiday when she didn't. Because the loan was four payments in arrears in April 2020 Mrs L should've been told the payment holiday application had been declined. Mrs L wasn't eligible for the payment holiday.

That means, the correct position would be as if Mrs L had been told her payment holiday application had been declined in April 2020 and offered further support by Tesco Bank under its standard approach for customers experiencing financial difficulties. Tesco Bank says that it applied an account hold in January 2020 after Mrs L explained she was experiencing financial difficulties so no payments were collected until April 2020. And another hold was placed on the loan account in April 2020, meaning payments weren't due. Tesco Bank's final response explained a further payment hold was applied until October 2020.

Whilst I agree Tesco Bank did lead Mrs L to believe a payment holiday for her loan had been approved, I'm satisfied that was wrong. Looking at the way Tesco Bank handled Mrs L's account during 2020, I'm satisfied it's in line with the normal process for customers experiencing financial difficulties. I haven't found that Mrs L was treated unfairly overall.

Mrs L has explained she offered to repay the four existing missed payments but Tesco Bank said she was nine months in arrears. As I've said above, I'm satisfied Mrs L didn't qualify for the payment holiday. So there was no option to add missed payments to the end of the loan term. Tesco Bank asked Mrs L to complete an income and expenditure assessment to ensure she could clear the arrears as well as making the normal monthly payment. I'm satisfied that's fair in the circumstances.

Tesco Bank acknowledged it misled Mrs L and agreed to amend her credit file in recognition of its mistakes. Whilst I agree Mrs L didn't qualify for the payment holiday, I'm satisfied the changes Tesco Bank agreed to make are a fair way to resolve her complaint.

Our investigator upheld Mrs L's complaint and Tesco Bank agreed to pay a total of £200 for the distress and inconvenience caused. I've read and considered everything Mrs L has told us about how the issues raised affected her during a particularly difficult time. I'm sorry to disappoint Mrs L, but I'm satisfied £200 reflects the impact of the issues raised on her and is a fair way to resolve her complaint.

As Tesco Bank has amended Mrs L's credit file and agreed to pay her a total of £200, I'm not telling it to take further action.

My final decision

My decision is that I uphold Mrs L's complaint and direct to Tesco Personal Finance PLC to pay her a total of £200 (less any compensation already paid) and ensure her credit file is amended.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 3 May 2022.

Marco Manente
Ombudsman