

## **The complaint**

Mr W complains that Tesco Personal Finance PLC trading as Tesco Bank ("Tesco") unfairly recorded a default on his credit file.

## **What happened**

Mr W had a loan with Tesco. In April 2023 the loan fell into arrears. Tesco sent texts and emails to Mr W asking him to make contact, but he didn't. On 27 June 2023 a Notice of Sums in Arrears was sent to Mr W by post. On 27 September 2023 a Default Notice was sent to Mr W requiring him to pay arrears of £992.52 by 22 October 2023.

On 24 October 2023 Mr W's partner contacted Tesco and asked to set up a payment plan. Tesco advised her that it didn't have authority to discuss the account with her and asked her to call back when she was with Mr W.

A Notice of Termination was issued on 31 October 2023. Mr W contacted Tesco on 3 November 2023 and a 30 day hold was placed on the account.

Mr W complained to Tesco. He said the Default Notice was the first time he'd been made aware that there were arrears on the account. He said he'd suffered an accident at work on 28 September 2023 which rendered him hospitalised until 2 November 2023. He said he'd asked his wife to call Tesco and explain what had happened and set up a payment plan but felt that his circumstances hadn't been taken into account. He asked for the default to be removed.

Tesco didn't uphold the complaint. It said that Mr W's wife didn't have authority to deal with the account and that was why it hadn't been able to discuss anything with her. It said it appreciated that Mr W felt that the default could've been avoided if his wife had been allowed to make a payment when she called but said there had been no request made by his wife to make a payment. Tesco said that the sum of £992.52 was required by 22 October 2023 and that by the time it spoke to his wife, the deadline had passed and the full balance on the account had fallen due.

Mr W remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. They said that Tesco had acted in line with the terms and conditions of the account and that the default had been correctly applied.

Mr W didn't agree. He said he'd paid his direct debit in October 2023 and had only ever received one letter advising him that the account was in arrears. He said he wasn't able to pay the arrears at the time of his wife's phone call as he was still in hospital and things were uncertain financially.

## **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've reviewed the account. Although Mr W has said he was aware that the account was in arrears, I can see that his direct debit payments in April 2023, June 2023 and August 2023 were returned unpaid. This meant that the account had been in arrears since April 2023.

I've reviewed the system notes to see what correspondence was sent to Mr W. Although Mr W has said that the first time he knew about the arrears was the letter he received at the end of September 2023 (which would've been the Default Notice), I can see that Tesco wrote to Mr W on 27 June 2023 advising him that the account was £496.26 in arrears. It also wrote on 25 September 2023 advising him that the account was £992.52 in arrears and requested payment of this sum by 22 October 2023. The letter that was sent to Mr W on 25 September 2023 made it clear that if the arrears weren't cleared, the account could be terminated and defaulted.

Mr W has said that he paid his direct debit in October 2023. However, I can see that this was returned unpaid.

As the deadline of 22 October 2023, the arrears hadn't been cleared. This meant that the full balance on the account fell due. Tesco issued a Notice of Termination to this effect on 31 October 2023.

Having reviewed the account, I'm satisfied that there were significant arrears. The relevant guidelines state that a lender can register a default when there are arrears of between 3 and 6 months. Mr W's account fell within that criteria. So I'm unable to say that Tesco made an error when it defaulted the account and recorded the default.

I appreciate that Mr W was in hospital from the end of September 2023 until the early part of November 2023. However, he's said that he received the letter dated 25 September 2023, so I'm satisfied that he knew about the arrears on the account and the requirement to clear these by the deadline of 22 October 2023. Even if it had been Mr W's wife's intention to make a payment when she called Tesco on 24 October 2023, this was after the deadline had passed. There's no evidence that Mr W's wife requested or attempted to make a payment on that date and Mr W has since said that at the time when he was in hospital, he wasn't in a position to pay the arrears as things were uncertain financially because of his accident.

I understand that it's been a difficult time for Mr W. However, I'm unable to say that Tesco has made an error or that it has treated Mr W unfairly. I won't be asking it to do anything further.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 May 2024.

Emma Davy  
**Ombudsman**