

## The complaint

Mr C complains that Tesco Personal Finance plc trading as Tesco Bank unfairly recorded a default on this credit file. He would like the default removed.

## What happened

Mr C took out a Tesco Bank loan in September 2018. The loan was repayable over 61 months. Mr C says in March 2023 he took out a repayment plan to cover arrears on the loan believing the plan would run to the end of the loan period. He then noticed a default on his credit file in July 2023 which he feels is unfair and would like removed.

Tesco Bank said the repayment plan was for two months not until the end of the loan. It said it sent a notice of default letter in May 2023 giving until the end of June 2023 to repay the full amount. As Mr C didn't respond it placed a default on his credit file.

Our investigator upheld Mr C's complaint. He recommended that the default be removed. He accepted Tesco Bank only agreed to a two-month loan period not the longer period Mr C wanted but felt Mr C genuinely thought the plan would run until the end of the loan period, As Mr C continued to make payments under the repayment plan he thought it was unreasonable for Tesco Bank to apply a default.

Mr C accepted this view but Tesco Bank didn't. it felt the default had been applied appropriately. The account had not been managed correctly, payments to a previous repayment plan had been missed, it put on hold issuing a default notice in March 2023 and set up the repayment plan for two months sending a default notice in May 2023 giving one month for Mr C to pay off the balance or come to some arrangement but Mr C didn't respond.

Our investigator considered these points but didn't change his view so Tesco Bank asked 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.

I do appreciate that Mr C was trying to manage his finances. He seems to have made repayments from 2018 until 2022 towards his loan. In July 2022 he agreed a 10-month repayment plan to pay arrears on the account but no payments or the wrong payments were made for 4 months leading to a default notice being issued in March 2023. Given the arrears that had built up and the missing or wrong payments during the repayment plan I don't think Tesco Bank's actions were unreasonable.

At that point Mr C agreed a further repayment plan with Tesco Bank so the default action was put on hold which I also think was reasonable.

I have listened to the phone call that led to the March 2023 repayment plan being agreed. Whilst Mr C's representative asked for the loan to be extended beyond the term of the loan itself what was finally agreed was a repayment plan for additional payments for two months. This part of the call ended with the adviser saying 'we will catch up with you in two months. I didn't feel it was made clear to the representative she or Mr C would need to contact Tesco Bank after two months. Having said that it was clear the agreement was only for two months so even if the representative didn't realise the onus was on her or Mr C to contact Tesco Bank after two months I think she and Mr C might reasonably have realised they needed to do so if Tesco Bank hadn't contacted Mr C at that point.

Tesco Bank has evidenced it sent a notice of default letter dated 26 May 2023 when it received no contact at the end of the two-month repayment plan period. This letter gave a month to pay off the full amount outstanding on the loan by 22 June 2023 and warned if this wasn't done a default would be registered. I believe Mr C says he didn't receive this letter; I don't know why that was but having seen it I am persuaded that Tesco Bank did send it.

As Mr C didn't contact Tesco Bank until 1 July 2023 the default was applied even though he continued making payments towards the loan and in July 2023 agreed a further repayment plan with Tesco Bank.

Mr C called Tesco Bank on 1 July 2023. Tesco Bank said it would listen to the phone call of March 2023 when Mr C felt an agreement had been reached for a repayment plan until the end of the loan and said it would call Mr C back. The adviser tried to contact Mr C on several occasions but was unable to contact him. Mr C then called Tesco Bank on 17 July when another plan agreed.

I think Tesco Bank's actions in putting on hold the first default and agreeing to further repayment plans were fair and reasonable. I am also persuaded it followed its usual process in advising Mr C of a potential default and giving him time to make good the account. It's clear Mr C didn't manage his account as well as he should have done and didn't communicate with Tesco Bank as promptly and regularly as he should have.

However, I am also conscious for the first years of the loan agreement there seem to have been no issues with payments and the loan was nearing the end of its term when the default was applied. I don't think Tesco Bank were as clear as it should have been in the phone call in which it agreed a two-month repayment plan that the onus was on Mr C to contact the bank at the end of this period. Finally, and what persuades me that in this case removing the default would be appropriate, is that as I understand it although Mr C was no longer in an agreed repayment plan at the end of the two-month period he continued to make payments. And once Mr C did re-engage with Tesco Bank it agreed a further repayment plan with him. So, I think it's more likely than not that if Mr C had contacted Tesco Bank at the end of the two-month period another repayment plan would have been agreed and no default issued.

Considering all of these factors, I think in this particular case it is reasonable for Tesco Bank to remove the default it applied to Mr C's credit file in July 2023

### **My final decision**

My final decision is that I uphold this complaint.

In full and final settlement Tesco Personal Finance plc trading as Tesco Bank should remove the default it applied to Mr C's credit file in July 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or

reject my decision before 8 April 2024.

Bridget Makins  
**Ombudsman**