

The complaint

Mr M complains that Tesco Personal Finance PLC trading as Tesco Bank sent him an arrears letter and referred his account to a debt recovery agency when there were no payments due on his account.

What happened

Mr M holds a credit agreement with Tesco Bank. His contractual monthly payment was set up to be paid by direct debit, with 15th of each month as the repayment date.

Tesco Bank received a payment of £330.97 on 14 January 2024. As this payment was received before the contractual payment date, Tesco Bank processed this as an overpayment and issued a partial payment letter dated 16 January 2024. The letter confirmed that the term of the loan had been reduced and an interest rebate of £23.80 had been applied as a result of the partial payment.

Mr M's contractual monthly payment wasn't received on 15 January 2024. Because of this, Tesco Bank treated the account as being in arrears and sent SMS messages to Mr M on 22 January 2024 and 24 January 2024 asking him to get in touch so it could discuss the account.

Mr M contacted Tesco Bank on 23 January 2024. He was unhappy that he'd been notified that his account was in arrears and that he'd been referred to a debt collection agency.

Tesco Bank reprocessed Mr M's payment to cover the January contractual monthly payment and the interest rebate was revoked.

Mr M remained unhappy and made a complaint.

Tesco Bank investigated the complaint and said it appreciated that the payment from Mr M's bank arriving a day early was an isolated incident. Tesco Bank said it should've paid extra care and review whether this payment was Mr M's intended contractual monthly payment. Tesco Bank apologised for the distress and inconvenience caused to Mr M as a result of receiving the arrears letter. It said it had reviewed the payment and confirmed that it was received at 00.08am on 15 January 2024 and had been incorrectly posted on the account as 14 January 2024. Tesco Bank apologised and offered £150 compensation to Mr M.

Mr M remained unhappy with Tesco Bank's response and brought his complaint to this service.

Our investigator didn't uphold the complaint. She said Tesco Bank had acknowledged that it received incorrect information from its payments team regarding the date the January payment was received and had also acknowledged that better service could've been provided. The investigator said the compensation offered of £150 was a fair and reasonable resolution to the complaint.

Mr M didn't agree so I've been asked to review the complaint.

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 appreciate that Mr M feels very strongly about this, and I understand that it must've been both worrying and upsetting to receive correspondence which said his account was in arrears.

Mr M has said that he has been a loyal customer of Tesco Bank and that he's managed his account very well for several years. I have no reason to doubt what Mr M says in this respect and I can see that Tesco Bank has acknowledged that its actions have caused Mr M considerable upset and has offered an apology.

Tesco Bank has acknowledged that it made an error here. It has explained that it received incorrect information about the date when Mr M's contractual monthly payment was received and treated this payment as a partial payment rather than as the contractual monthly payment.

I understand that there was initially some suggestion by Tesco Bank that it was Mr M's bank which was at fault. However, Tesco Bank has now acknowledged that it was themselves who made the error.

I've thought about whether the offer of £150 compensation from Tesco Bank is enough to put things right. I appreciate that Mr M still feels very strongly about what happened and has questioned what would've happened if he hadn't intervened. I'm pleased to see that Tesco Bank were able to resolve things quickly once it became aware of the error. I haven't seen any evidence to suggest that the error has impacted on Mr M's credit file (but if it transpires that this is the case then Tesco Bank should take steps to amend any adverse information that it reported).

Taking everything into account I'm of the view that the compensation offered – as well as the apology already communicated by Tesco Bank – is a fair and reasonable resolution to the complaint. The sum offered by Tesco Bank is in line with what this service would award. Tesco Bank has told this service that it hasn't been able to pay the compensation to Mr M as he hasn't provided details of where he would like the payment sent. If Mr M wishes to accept the compensation, he will need to contact Tesco Bank and provide his instructions on where he would like the payment sent.

For the reasons I've explained, I won't be asking Tesco Bank 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 M to accept or reject my decision before 26 July 2024.

Emma Davy
Ombudsman