

The complaint

Mr W complains that Tesco Personal Finance PLC (“TPF”) treated him unfairly when it defaulted his credit card account.

What happened

Mr W has a credit card account with TPF. Mr W said TPF accepted a payment plan of £1 per month as he was in financial difficulty and on a government payment plan. He said one payment bounced and consequently TPF cancelled the agreement without any communication and sent him a default notice. He raised a complaint.

In its final response TPF said it hadn’t made any errors and it had treated Mr W positively and sympathetically throughout the time he’d been struggling. Mr W didn’t agree and brought his complaint to this service. He said TPF had been unsympathetic to someone in financial difficulties and cancelling the agreement was a knee jerk response to one bounced payment.

Our investigator agreed with TPF’s decision to issue a default notice and concluded that TPF continuing with the agreement could’ve been irresponsible. Mr W wasn’t satisfied and asked for a decision from an ombudsman. He made some additional comments to which I have responded below where appropriate.

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 realise this will come as a disappointment to Mr W but having done so I agree with the conclusions reached by the investigator for the reasons I’ve outlined below.

In deciding what I believe to be fair and reasonable in all the circumstances I’ve considered the law and relevant regulatory rules. These include, for example, the Financial Conduct Authority’s (FCA) Consumer Credit sourcebook (CONC) which sets out its regulations and guidance for lenders such as TPF about what should happen before and during credit agreements. This states that a firm must treat customers in default or in arrears difficulties with forbearance and due consideration (7.3.4).

Mr W’s credit card has been in arrears since February 2023. I examined statements and correspondence from TPF after this date. I can see that at least four payment plans were put in place for Mr W – February, April, and August 2023 and February 2024 - which included the completion of income and expenditure forms to ensure the plans were affordable. Mr W wasn’t always able to keep up with the repayments.

These payment plans spanned over 14 months, and I’m satisfied TPF demonstrated forbearance towards Mr W.

The final plan was agreed in February 2024. TPF agreed to a final 6-month interest free repayment plan for £1.00 per month, and it advised Mr W if there was no positive change, where he could go back to normal monthly minimum payments, then he would need to consider the

account will be defaulted and terminated. From the statements I can see a payment was made in February but not in March. Following this TPF issued a default notice. Mr W has said TPF cancelled the agreement and sent him a default notice without informing him and giving him time to correct things i.e. make good a £1.00 standing order.

TPF told this service it sent two text messages and an email confirming a payment had been missed and the repayment plan had broken. It said it asked Mr W to make contact. I've seen a screen shot of correspondence notes. I can see text message reminders were sent prior to payment date and after the missed payment requesting Mr W make contact. I've also seen that a pre-default email was sent. I'm satisfied these were sent and I can't hold TPF responsible for their non-delivery.

Mr W has said TPF had shown 'corporate intolerance' towards him. He said reneging on the agreement after one payment bounced wasn't an empathetic or tolerant attitude. I do understand Mr W's frustration. While it may not seem appropriate to default an account after one missed payment, this was the fourth payment arrangement. TPF had been agreeing repayment plans and applying holds during a 14-month period, while Mr W has been in arrears and unable to repay the debt. Banks have a responsibility to respond sympathetically and sensitively to customers where they are aware of financial difficulty - but this doesn't mean that they are obliged to allow Mr H to go further into debt. Repayment plans such as the ones offered to Mr W aren't intended to be long term arrangements.

I'm satisfied TPF acted fairly and reasonably and in line with its obligations between February 2023 and April 2024, and when it issued a default notice.

Mr W has advised us that he has now entered a Debt Management Plan with all his creditors, managed by a third party. This should allow him to make repayments which are affordable to him.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 January 2025.

Maxine Sutton
Ombudsman