

The complaint

Mr B complains that Tesco Personal Finance PLC incorrectly defaulted his credit card account.

What happened

Mr B says Tesco was notified by a debt charity that he had been given “Breathing Space” from his credit card repayments, but that Tesco continued to default his account. He says that although it admitted its mistake and paid compensation Tesco refused to remove the default. Mr B adds that he is currently in a Debt Management Plan but that his monthly payment more than covers the minimum required.

Tesco says that it was made aware of Mr B’s financial difficulties in June 2023 and received a letter from the Insolvency Service explaining that he had entered into Breathing Space until 13 August 2023. However, it says that, following four missed or late payments, it incorrectly continued with the normal Collections process and issued a default notice on 26 June. This was followed by the account termination on 27 July 2023. Tesco has paid Mr B £100 for this error. Tesco says it then received an offer of £1 per month from a debt charity, which as an indicator of long term financial difficulty, would normally result in a default anyway. It says that it would have been detrimental to Mr B to have a later default date and so it left the original default on the credit file dated 2 August 2023.

Our investigator recommended the complaint should be upheld. She found that Mr B had repaid his arrears on 17 August 2023, and thereafter generally made his contractual repayments. So, she was not satisfied that a default would necessarily have been registered had Tesco not made the original mistake and considered it should be removed.

Tesco responded to say, in summary, that following the initial offer of £1 per month, the debt charity said he could afford £46.94 from April 2024 onwards. It said that, if the account was not in default, the minimum repayments would be between £70 and £80 per month. Tesco added that, if the default is removed, interest would accrue again and Mr B’s balance would increase significantly, putting him at risk of late payments fees and a further default.

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 am satisfied that, if Tesco had not made the initial mistake, the account would not have defaulted in August 2023. I say that because Tesco should not have continued with its normal collections process whilst Mr B was in Breathing Space and Mr B repaid his arrears four days after the Breathing Space expired.

Tesco has accepted it made an error and paid Mr B £100 for this but, for the reasons outlined above, I find Tesco should also remove the default.

That said, I accept Tesco's response to the investigator's view and Mr B has been made aware of the possible detrimental effect this may have on him in the event that he cannot make the higher minimum repayments. Mr B has said that he is now in full time employment and has enough flexibility in his budget to afford the increased minimum payments going forwards.

My final decision

My decision is that I uphold this complaint. Tesco Personal Finance PLC should remove the default from Mr B's account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 January 2025.

Amanda Williams
Ombudsman