

The complaint

Mr L has complained that Vanquis Bank Ltd took too long to deal with his fraud complaint and this affected his credit score.

What happened

Mr L's wallet was stolen from him in a street robbery in June 2019. His Vanquis credit card was in his wallet with his other bank cards. Mr L reported the theft immediately to Vanquis, the other banks and the police. The thief used his credit card to make purchases, which took him over his credit limit.

Vanquis took approximately three weeks to respond to Mr L's initial complaint. At the end of July 2019, a case handler told him he could expect a decision soon. However, he had to wait until 27 August 2019 for its decision. That's when it refunded the disputed transactions, with interest. It also paid him £65 for the delay.

He expected a higher amount in compensation for the delay.

However, Vanquis said it hadn't done anything wrong. It said it didn't refund customers before completing its investigation, as a matter of policy. It explained there was a risk that a customer might use the funds before the bank reached a decision on liability. It also said it was Mr L's responsibility to ensure his account was kept up to date throughout the investigation.

Mr L wasn't happy with this decision, so he brought his complaint to this service. He asked for £500 in compensation. He said that his credit score was affected by an adverse entry against the Vanquis account for the three months he waited for a decision. And, crucially, he said he was in the process of applying for a mortgage but this was declined. The mortgage broker told him that the adverse entry in his credit file was the most likely reason why his application was turned down.

An investigator looked into his case and decided to uphold it. He didn't agree that the mortgage application was directly affected by his credit file, but he agreed that the delay had caused him a lot of anxiety and distress. He recommended that Vanquis pay an additional £100 compensation.

Vanquis didn't agree with the investigator's view and so this case has come to me 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.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

Having done so, I've reached the same conclusion as the investigator and for broadly the same reasons.

This is a dispute about the remedy on a disputed transactions' claim. Vanquis has refunded the amount with interest. But that's not the only issue here. The relevant regulations, the Payment Services Regulations 2017, set out time limits for refunding unauthorised transactions and for responding to complaints (regulations 76(2) and 101 respectively). It seems that Vanquish didn't observe those time limits. And so it's fair and reasonable that I should consider the impact of the delay on Mr L.

I don't agree that the letter from the mortgage broker proves the credit score was the reason why Mr L's mortgage application failed. As the investigator explained, most lenders base their decisions on lending criteria, which comprise different factors. It's unlikely there was a single reason for the unsuccessful application. So I am not treating this as a direct loss resulting from the delay.

However, there was a delay, which Vanquis has acknowledged. Clearly, it had to complete its own investigation and was entitled to ask Mr L for further information, which it deemed necessary to ask for – whether unusual or not. However, a three weeks' delay before any contact seems poor customer service, along with giving him false hope he would receive an answer soon. And during this time, his credit file must have worried him. I don't think it sympathetic or helpful to say it was his responsibility to keep his account up to date, when he'd been the victim of theft.

So I can see that Mr L felt anxiety and stress waiting to hear from the bank. I consider therefore that it's fair and reasonable for Vanquis to pay an additional £100 for his trouble and upset.

My final decision

My final decision is that I am upholding this complaint and I am asking Vanquis Bank Ltd to pay Mr L £100 for his trouble and upset caused by its delay.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 23 June 2020.

Razia Karim
Ombudsman