

## **The complaint**

Mr M complained that Vanquis Bank Limited defaulted his account when he was still trying to set up a payment plan.

## **What happened**

Mr M originally complained about charges applied to his credit card account by Vanquis. Our service dealt with that issue separately. This complaint is that Mr M repeatedly asked Vanquis to set up a payment plan for him, and it was never set up. Vanquis has now defaulted the debt and sold it to a debt collection agency. Mr M wanted the default removed from his credit file.

Our investigator didn't think this complaint should be upheld. He said Mr M spoke to Vanquis in September 2019, and said he would call back another time to respond to questions Vanquis had about his income and expenditure forms. But our investigator couldn't see that he'd done this. In December 2019, after the debt had been passed to a debt collection agency, Mr M spoke to Vanquis again. Vanquis needed some more information to set up a plan, but Mr M had to end the call, so a call back was arranged. Vanquis did call, but didn't get through, so it wrote. After this, our investigator couldn't see Mr M had contacted Vanquis to set up that plan.

Our investigator thought Vanquis had tried to set up a plan for Mr M. Because it hadn't managed to do that, and charges and interest were being added to the balance, and also because Mr M hadn't paid Vanquis for a considerable period of time, our investigator didn't think it was unfair for Vanquis to issue a notice of default.

Our investigator didn't think Vanquis had agreed that Mr M didn't need to make payments while his complaint was on going. So he didn't think it was unfair for Vanquis to try to get the money back, including by contacting a debt agency.

Mr M didn't agree. He said he completed three income and expenditure checks with Vanquis in August. And this was the first time he'd asked the company for help as all previous payments were made to it. He was disappointed in what our investigator had said, and he wanted an ombudsman to consider his case. This case then came to me for a final decision.

## **My provisional decision**

I issued a provisional decision on this complaint and explained why I proposed to uphold it in part. This is what I said then:

Mr M had previously complained, and he told Vanquis in August he wouldn't make his payments until that was sorted out. Vanquis didn't agree to that then. I haven't seen any other evidence that Vanquis agreed to this. It doesn't have to.

I can see that Mr M last made a payment onto this card on 24 May 2019.

Mr M said he completed three income and expenditure checks with Vanquis in August. But a call he had with Vanquis in September makes clear that Vanquis needed to discuss this with him. Mr M said he didn't have time, he would call back.

Mr M doesn't seem to have called back then. Vanquis tried to contact Mr M, and I've listened to calls it had with him in December, when it was still trying to set up a payment plan with him. It got part way through that on a call, and Mr M had to end the call. Vanquis did call him back at the time he'd requested, but he didn't answer. It then wrote and rang again, but Mr M didn't respond to its attempts to contact him after this.

I think it was primarily Mr M's responsibility to contact Vanquis, if he wanted to set a payment plan up, and to do so when he had time to complete a longer call. Like our investigator, I don't think it's Vanquis's fault that a payment plan wasn't set up.

Vanquis issued a Notice of Default on 20 September 2019. That gave Mr M until 9 October to pay the required amount, and if he didn't do so, he was warned his account could be defaulted. Mr M said his account has since been defaulted, but it hadn't been, when he spoke to Vanquis on 7 December 2019.

I asked Vanquis about this, and it said Mr M's account defaulted on 31 January 2020. It said that was four months after the Notice of Default was issued. Vanquis said this follows FCA guidelines of a default being applied within three to six months.

I think that it's relevant to consider the *Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*, which were drawn up by the credit industry in collaboration with the Information Commissioner's Office. Those principles say that as a general guide, a default may be registered on someone's credit file once they are 3 months in arrears, and this would normally be done by the time someone is 6 months in arrears.

So what's important in deciding when a default should be issued is how far behind someone is in their payments. Not when a Notice of Default was posted to them.

Mr M last paid onto his credit card on 24 May 2019. That's just under five months before 9 October, the date Vanquis said a default might be registered on his account. Because of the length of time it had been since Mr M made a payment, I think his account should've been defaulted then.

I think Vanquis should amend Mr M's date of default now, to 9 October 2020. That may seem to offer little benefit to Mr M now, but it will ensure this default is removed from his credit file almost four months earlier.

I also asked Vanquis about the interest and charges that were applied to Mr M's account after this. It said that it was satisfied that the interest and charges were applied correctly. But because I think that Mr M's account should've been defaulted in early October, I don't think that Mr M should've been charged further interest and fees on 3 November, of £21.77.

I would have asked Vanquis to use this money to reduce Mr M's debt, but Vanquis tells me this account has been sold, which may mean Vanquis can't use this money to reduce Mr M's debt. So I think it should pay this money to Mr M instead.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Vanquis said it had nothing to add. Mr M replied to disagree.

## **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.

Mr M said he was disappointed. He told us he had made regular payments to Vanquis for over 3 years. He sent a complaint to Vanquis in May 2019 which he said Vanquis ignored.

Mr M told us his circumstances had changed temporarily, and he'd filled out three income and expenditure checks using Vanquis website. He'd also told Vanquis that he could make repayments of £40 per month from the end of January. But Vanquis then sold the debt and defaulted the account.

Mr M said this had caused him stress and anxiety. He thought a payment plan could've saved all this stress. And Mr M said he'd been heavily punished as a default will stay on his credit file for six years. He felt that Vanquis had a responsibility in August 2019 to contact him further as his complaint was never resolved.

Mr M said I should ask for a copy of the income and expenditure plans he'd done, so I could see that it would show he had minus £8 per month. He said 2019 was a massive struggle for him in having to support his family, and every other company made payment plans available.

I don't think Vanquis was refusing to make a payment plan available for Mr M. It wanted to talk to him first, before it set that up. If Mr M's income and expenditure shows that he had no spare income at all, then I can understand why Vanquis wouldn't just set up a plan. It would need to make sure that Mr M could actually afford the payments he was offering to make.

I set out in my provisional decision that I thought Vanquis had done enough to try to contact Mr M. It made a number of efforts to get in touch with him, and it didn't default his account without warning. So I haven't changed my mind.

I still don't think that Vanquis needs to remove the default from Mr M's credit file entirely.

## **My final decision**

My final decision is that Vanquis Bank Limited must amend the date of default on Mr M's credit file to 9 October 2019. And it should also pay Mr M £21.77.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 December 2020.

Esther Absalom-Gough

**Ombudsman**