

The complaint

Mr B complains that Vanquis Bank Limited (Vanquis) defaulted his account.

What happened

Mr B had a credit card with Vanquis. He was struggling to pay his debts. In January 2018, Vanquis agreed a payment plan of £50 per month at zero interest. In February 2019, March 2019 and April 2019, Mr B missed the payments. In May 2019 and thereafter he paid £25 per month. In March 2019, Vanquis sent Mr B a Notice of Default with the balance £2088.68. In April 2019, the debt was passed to a debt collection agency (DCA) to collect the payments. A default was registered in November 2019. In October 2020, Mr B paid off the debt with a payment of £1238.68.

Mr B complained that the entries on his credit file were wrong. He'd called Vanquis in March 2019 (when one payment had been missed) and offered to pay £25 a month. They declined to accept this until he'd sent to them an income and expenditure form – which they would mail to him. But until then, the account was to be placed on hold. So – Mr B said that the subsequent Notice of Default and the registration of default was unfair. He also wasn't advised the debt would be passed to a DCA. He was now finding it difficult to get credit. He wants the defaults removed and compensation paid.

Vanquis said they'd acted correctly. The £50 a month payments were made successfully until February 2019 to April 2019, when payments stopped. After that, £25 a month was paid – but because these weren't for the agreed amount, Mr B had broken the agreement. So, a Notice of Default was sent in March 2019 and his account passed to a DCA. In November 2019, a default was registered on Mr B's credit file.

Mr B brought his complaint to us. Our investigator said Vanquis had acted fairly. He'd missed the payments in February 2019 to April 2019. Statements sent at that time showed the arrears due and included a warning that legal action might take place. The letters and statements sent to Mr B made it clear what would happen if payments weren't brought up to date. And so – the default registered by Vanquis in November 2019 was correctly applied.

Mr B didn't agree and asked that his complaint be looked at by an ombudsman.

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.

The crux of Mr B's complaint is that in March 2019, he called Vanquis and offered to pay £25 per month. Vanquis said they couldn't agree that without seeing an income and expenditure form – which they would send him - and they said to him that his account would be put "on hold" until it was received back. Mr B says he didn't receive the form, and so he then paid £25 a month. So – Mr B complains that all of Vanquis' actions after that were wrong and unfair.

Vanquis sent to us the call that Mr B made to them on 11 March 2019. I've listened to this. Its content isn't what Mr B says. In it, Mr B says he'd missed the payment of £50 in February 2019 – he'd had expenses of a house move and a car accident. He said he could pay the March 2019 regular instalment. Vanquis offered to pay the missed February 2019 payment of £50 if Mr B paid the £50 in March 2019. Mr B agreed to this and said it would be paid on 15 March 2019. Vanquis said the agreement for them to pay their £50 would only happen if Mr B paid his £50. There was no mention by either Vanquis or Mr B of a payment plan or offer of £25 a month, or of an income and expenditure form. So – as far as Vanquis were concerned, quite reasonably, the original agreement of £50 a month was still in place. There wasn't any agreement or discussion about a reduced payment of £25.

I've looked at Mr B's payments – and the £50 wasn't paid in March 2019. So – the £50 payment offered by Vanquis also didn't take place. And, Mr B didn't make a payment in April 2019 either – so he'd then missed three payments.

Mr B complains that he wasn't aware that his account would be passed to a DCA, and that the default shouldn't have been registered. I've also considered this.

The Notice of Default dated 12 March 2019 says, *"If you fail to make a sufficient payment or set up an arrangement we may file a default in respect to your credit card with the credit reference agencies"*. In the monthly statements sent to Mr B between February 2019 and November 2019, they state that his account was in arrears and that failure to bring them up to date could lead to legal action – they stated *"Failing to make your minimum payment....could result in us taking legal action against you...and make it more difficult for you to obtain credit in future"*. So - I consider that Mr B was advised that a default might be registered.

The statements in April 2019 and May 2019 also said *"Your details have been passed to (a DCA) to recover the outstanding debt...please contact them directly..."* So – I think that Mr B was advised that a DCA was appointed.

Looking at the default that was registered in November 2019. The guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error. Because Mr B was only paying £25 a month (rather than the agreed £50 a month) I can see that by the October 2019 statement, Mr B was £200 in arrears, and by November 2019 the arrears were £225. So, on that basis, I can't say that Vanquis were wrong to register the default.

Mr B has also said to us that it's unfair that the default is still showing on his credit file – even though the debt has been repaid. This wasn't part of Mr B's original complaint. But - I can see that the original agreement with Vanquis in January 2018 said that once repaid it would be shown as "settled". And that's what should now be shown on his credit file. I haven't seen an up to date credit file for Mr B, so I can't say what is now shown. But if Mr B wishes to take this up with Vanquis, he should do so.

And so – and I accept this will be disappointing for Mr B – I don't think Vanquis have acted unfairly or unreasonably, and I won't be asking them to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 25 August 2021.

Martin Lord
Ombudsman