

The complaint

Mrs K complains that Vanquis Bank Limited incorrectly defaulted her credit card account and reported this to the credit reference agencies. She also says that Vanquis has applied too much interest to her account.

What happened

I issued my provisional decision on this case on 4 August 2021. I planned on coming to a different outcome to our investigator, and so I wanted to give both parties the chance to respond with anything additional they'd like me to consider before I came to my final decision on the matter. Both parties have now responded.

I have copied my provisional decision below – it also forms part of this final decision.

"Mrs K paid for Repayment Option Plan (ROP) with her Vanquis card, which should have allowed her the option of freezing payments and interest on her credit card for up to two years. Unfortunately, Mrs K had a serious accident which impacted her (amongst other things) financially. Because of this, she asked Vanquis to implement the ROP. This was so she didn't have to make repayments to the account, and that the account interest and charges would be frozen. Mrs K asked for this to be done in October 2019 – and as far as she was aware, this had been actioned by Vanquis.

In December 2019, Mrs K and her husband applied to remortgage their property to consolidate their borrowing and reduce their monthly outgoings. They also intended to release some equity so they could make necessary changes to the property to accommodate Mrs K more comfortably since her accident. But Mrs K says the application was declined following a credit check. When Mrs K checked her credit file, she found that Vanquis had registered a default against her in October 2019.

Mrs K says she wrote to Vanquis about this three times before getting a response. As far as she was aware, her account should be frozen and shouldn't have defaulted. Vanquis responded to say that it had received notification that she had applied for bankruptcy – and so it defaulted the account, wrote off the outstanding balance and reported this information to the credit reference agencies.

Mrs K responded to Vanquis to say that she hadn't been made bankrupt, and so she didn't understand why Vanquis had defaulted the account. Vanquis responded to say that it had made an error and that it actually hadn't received notification of bankruptcy. To put things right, it agreed to remove the bankruptcy status and the default it had reported to the credit reference agencies – it also offered her £150 to say sorry.

Mrs K tells us that since Vanquis reinstated her account, it has constantly sent her correspondence demanding repayments of more than £1,000 – as this is how much it said the account was over the limit by. It has told her that she was over her agreed credit limit because she hadn't made a payment since October 2019 and interest and charges had been applied to the account. However, Mrs K says her account should have been frozen and so no payment ought to be due. And her account shouldn't be showing as over the limit.

Mrs K says the consequences of Vanquis's actions have been severe. She's said that as a result, she wasn't able to remortgage her property, which has meant that she hasn't been able to make the improvements to her home to help with her condition caused by the accident – and the remortgage was to consolidate some of her other lending which would have saved her around £2000 per month. She's also said that the financial impact on her has been significant and she nearly lost her home – and hasn't been able to afford basic living costs.

Vanquis wrote to Mrs K again to say that it refunded all of the interest that had been applied to her account since October 2019, when it should have frozen her account – it said that this totalled £354.33. And it has increased its offer of compensation to £500.

When our investigator initially looked into things, he thought that Vanquis had been fair in its offer of compensation and that it had refunded the interest it said it charged from October 2019. But Mrs K responded to say that when she asked for her account to be frozen back in October 2019, the account was within the agreed credit limit. So Vanquis must have applied more than £354.33 in charges and interest to the account, given that it was showing as over the limit by more than £1000. And she didn't think that the £500 compensation was enough – given that she needed to contact Vanquis on many occasions to rectify the issue. And that she had been unable to remortgage her property as a result of the default showing on her credit file.

Shortly after the investigator issued their initial view, Mrs K got in touch to say that Vanquis had reapplied the default to her credit report. And this was noticed when she again went to reapply to remortgage – and she says that she wasn't able to apply for the remortgage again because of this default.

Our investigator went back and forth with Vanquis and later found that it had calculated that refund of the interest and charges incorrectly. Vanquis had actually applied a total of £1,398.82 in interest and charges to Mrs K's account. Vanquis has now refunded these charges as it realised that these shouldn't have been charged while the account should have been frozen. And it has rectified the issue with the second default.

Mrs K remained unhappy with how Vanquis had resolved matters and so asked for a decision on the matter.

What I've provisionally 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.

Having considered everything, I currently intend to uphold Mrs K's complaint. Since our investigator issued their view on this complaint, there no longer appears to be a dispute between the parties about the facts of what happened and what should have happened in this case. For example, both parties agree that Vanquis incorrectly defaulted Mrs K's account on two separate occasions and when it reinstated the account, it applied interest and charges to the account when it shouldn't have.

So, it's now up to me to decide if Vanquis has done enough to put things right for Mrs K. And I don't currently think it has.

I can see that Vanquis has now refunded all interest and charges that were applied to the account during the period from October 2019 when the account should have been frozen under the ROP. So, I'm satisfied that the account balance is now showing as it should have

been had Vanquis not made the mistake in defaulting the account.

On 28 July 2020, Vanquis wrote to Mrs K to increase the level of compensation it was offering for the error in defaulting the account from £150 to £500. It did this after reading an email from Mrs K about how its mistake had impacted her.

It's clear Mrs K has been through a very difficult time since she had the accident. But I don't think it would be fair of me to say that everything she has been through has been as a result of Vanquis's mistake. Although I can appreciate that this has added a significant amount of pressure and strain to her situation.

When Vanquis initially offered Mrs K £500 in compensation, I felt this was a fair amount to compensate for the distress it had caused up until that point. At this time, Vanquis had put things right for Mrs K and removed the default from her credit file. I've read all the information Mrs K has sent this service about how the default has impacted her – and I am very sorry to learn of the situation she has found herself in. While I can appreciate that the default would likely have affected her ability to be able to remortgage, I can't be certain that this was the only reason for the remortgage being declined. I haven't seen any information that supports the exact reason for the declined mortgage application, and I am aware that mortgage applications take into account a lot of different information and can be declined for many reasons. So while I take on board that the default would likely affect the chances of her getting the mortgage, I can't be certain that it was the only reason.

However, since Vanquis offered Mrs K £500 in compensation for what it did wrong, it has again reported to credit reference agencies that the account was in a position of having defaulted. This is despite the ROP still being in effect and payments remaining frozen. Mrs K says this came at a time when she was hoping to apply for another remortgage – and she says she couldn't do this because of the default showing again on her credit file. I appreciate that Mrs K didn't actually apply for the remortgage again after seeing this default, but it has impacted her decision and choice to be able to apply. I am fairly certain that the default would have had some impact on how Mrs K's creditworthiness was appearing to other lenders, and so I can understand why she didn't go ahead with the application she wanted to make. Based on what I've seen, Mrs K has clearly gone into a lot of trouble to try and get the default removed from her credit file – something that shouldn't have been up to her to do.

Vanquis has also sent Mrs K lots of communication about bringing her account up to date as it was showing as over the limit. Vanquis has accepted that the account shouldn't have been over the limit at all – and it was only the interest and charges it incorrectly applied which caused this, when these should've been suspended due to Mrs K's ROP. I can understand how upsetting and distressing this type of communication must have been for Mrs K – especially given her current financial position. And Mrs K had been right all along in that the balance was incorrect – but it took a very long time for Vanquis to recognise this and put things right, which I agree would've been particularly frustrating for Mrs K as the ROP, that she pays for, was intended to avoid this type of distressing situation.

It's clear from everything I've read and been told that Mrs K has spent a lot of time trying to sort the situation out with Vanquis – firstly the incorrect default being applied, then the issue with incorrect interest and charges being added to the account balance, and finally the second default. It's clear that all of these things have caused Mrs K a great deal of distress and she's suffered a lot of inconvenience as a result.

Based on what I've seen so far, I think Vanquis should pay Mrs K a total of £1000 in compensation for the trouble and upset its mistakes have caused Mrs K. This amount is inclusive of the £500 Vanquis has already offered Mrs K. Mrs K should be able to decide if she'd prefer the money to be paid directly to her or to reduce the balance of the Vanquis

credit card account.

In addition to this, Vanquis should provide Mrs K with a letter confirming that the two defaults were applied incorrectly and as a direct result of its mistake. Mrs K can then show this letter to the mortgage lenders should they allow her to revisit her previous mortgage applications. And Vanquis should ensure that any adverse information it has reported to the credit reference agencies in relation to these mistakes is removed.”

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.

Neither party had any additional information they wanted me to consider. Because of this, I see no reason to depart from the findings I made in my provisional decision.

Putting things right

To put things right for Mrs K, I order Vanquis to do the following:

- Pay Mrs K a total of £1000 for the distress and inconvenience its mistakes has caused. If Vanquis has already paid Mrs K the £500 it previously offered her, then it can deduct this from the total amount. Mrs K will need to let either this service, or Vanquis know, if she’d prefer the money to be paid directly to her or to reduce the balance of her Vanquis credit card account.
- Vanquis need to provide Mrs K with a letter confirming that the two defaults were applied incorrectly and as a direct result of its mistake. Mrs K can then show this letter to the mortgage lenders should they allow her to revisit her previous mortgage applications.
- Vanquis need to ensure that any adverse information it has reported to the credit reference agencies in relation to these mistakes is removed.

My final decision

For the reasons set out above, I uphold Mrs K’s complaint. I order Vanquis Bank Limited to put things right for Mrs K by doing what I’ve said above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs K to accept or reject my decision before 24 September 2021.

Sophie Wilkinson
Ombudsman