

The complaint

Mrs W complains Vanquis Bank Limited (Vanquis) unfairly suspended the use of her credit card.

What happened

Mrs W says she received a letter from Vanquis in late January 2021, advising her that she needed to take action to prevent her credit card being suspended, due to persistent debt. Mrs W says when she telephoned Vanquis on receipt of the letter she was told that no matter what actions she was going to take to increase her monthly payments, her credit card was going to be suspended. Mrs W says she never received any previous correspondence about this from Vanquis, and they are not acting in line with the guidance given by the Financial Conduct Authority (FCA). Mrs W says this matter has caused her a great amount of stress during a difficult time for her and wants Vanquis to reinstate the credit card on her account.

Vanquis says they sent various letters to Mrs W in 2019 and 2020, informing her about the persistent debt on her credit card account. Vanquis says these letters explained Mrs W needed to take action to prevent her credit card being suspended – but they heard nothing from her, until she telephoned them at the end of January 2021. Vanquis accept their advisor could have been clearer on that telephone call regarding the suspension of the credit card and paid Mrs W compensation for that. Vanquis says they have acted reasonably when they suspended Mrs W's credit card and acted in line with the guidance set by the FCA when dealing with persistent debt.

Mrs W wasn't happy with Vanquis's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. She felt that Vanquis had correctly followed the guidance set by the FCA when dealing with customers in persistent debt. The investigator says Vanquis had issued letters informing Mrs W that she needed to take action to increase her monthly credit card account payments, but she didn't. As a result, the investigator felt Vanquis had acted reasonably when they suspended the credit card on Mrs W's account. Vanquis have also confirmed Mrs W's credit file hasn't been affected by the suspension of her credit card.

Mrs W didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have come to a different outcome to the investigator and I will explain how I have come to my decision.

I can understand it would have been upsetting for Mrs W to have been told by Vanquis her

credit card was going to be suspended, even though she had made an offer to increase her monthly payments to her credit card account.

When looking at this complaint, I will consider if Vanquis had acted reasonably when they suspended the use of Mrs W's credit card.

Mrs W says that Vanquis have not followed the guidance given by the FCA when dealing with customers in persistent debt. It's worth explaining persistent debt is when a customer pays more in interest and charges than the amount repaid to reduce the borrowing over a set period of time – here on Mrs W's credit card account.

Mrs W's complaint centres around the fact she never received any previous correspondence from Vanquis regarding the persistent debt on her credit card account, prior to a letter she received from them in late January 2021. Mrs W maintains on receipt of that letter she telephoned Vanquis and offered to make increased monthly payments, but they still insisted the credit card had to be suspended and it would make no difference what action she now took.

Mrs W has further complained that a member of Vanquis staff gave misleading information after she lodged her complaint with them. While I understand Mrs W's upset over this particular point, it's not the role of this service to look at how complaints are handled by businesses, so I won't be commenting on this aspect of her complaint, although it is noted that Vanquis have paid Mrs W compensation for that.

Looking at the issue surrounding the suspension of Mrs W's credit card, what is important here is whether Vanquis have followed the process expected of them, when customers are identified as being in persistent debt (PD). From the information provided to this service I can see that Vanquis correctly issued PD letters to Mrs W at the milestones set by the FCA at 18 months, in April 2019 and 27 months in January 2020. While Mrs W says she has no record of receiving those letters, I have seen copies of these addressed to her and in all likelihood they have been sent, and I can't hold Vanquis responsible for Mrs W not receiving them.

It's worth saying in both of these letters, it points out the credit card could be suspended if action wasn't taken to increase the monthly repayment on the credit card account. From the credit card account statements I have seen, Mrs W only made the minimum monthly payment by way of direct debit and didn't increase the monthly payment as suggested by Vanquis. So, it's reasonable to say Vanquis had correctly followed the process we would expect to see up until this point. Where I do have an issue is with Vanquis's communication surrounding Mrs W's PD, between January 2020 and January 2021.

I say this as while I can see a suspension of monthly payments was agreed in March 2020 for three months, in line with guidance set by the FCA due to the Covid pandemic - from the file notes provided to this service Vanquis intended to send two letters to Mrs W, in October 2020 and December 2020, to advise her account had been in persistent debt for 36 months. In the proposed letter dated October 2020, from what I can see, Vanquis were looking to Mrs W for an income and expenditure profile to be completed, to decide on both the affordability of future monthly payments and importantly if the credit card could be retained- in line with their process.

As part of our investigation it has since been discovered, by Vanquis's own admission, the PD36 letters dated 7 October 2020 and 17 December 2020 weren't sent, even though Mrs W was told they had been, in both the final response letter dated 12 February 2021 and a follow up letter dated 25 February 2021.

While I can understand, this may have been a result of Vanquis adapting its processes

because of the impact Covid had presented, it's also fair to say it didn't give Mrs W the opportunity to discuss any of the proposals those letters contained. I say this as from the file notes I have seen, the proposed letter dated 7 October 2020 would have given Mrs W the opportunity to discuss and complete an affordability assessment – but she wasn't. This is important here because as part of its PD journey, Vanquis have confirmed this assessment, formed part of its process in deciding whether a credit card could be kept or not.

With that in mind it's reasonable to say Mrs W wasn't given the opportunity to discuss her repayment proposals until she telephoned Vanquis in late January 2021, following a letter she had received informing her credit card would be suspended. This letter simply informs Mrs W she has two options; to fix the monthly payments to pay down the credit card account or if unaffordable to contact Vanquis. I have listened to a recording of this telephone conversation and Mrs W says she is able to make additional payments, but no discussion was held over affordability or to tailor an affordable solution - the advisor simply notes Mrs W's comment about her credit card being suspended unfairly, and then logs a complaint.

While Vanquis may not agree, it's reasonable to say here, on the understanding Mrs W still feels she can increase her monthly repayments, she should then be given the opportunity to go through a detailed income and expenditure profile, as she should have been offered, back in October 2020. This would be in line with Vanquis's PD36 process under the FCA guidelines they refer to, and it will determine if Mrs W meets its criteria to retain the usage of her credit card account. In addition, I propose Vanquis pay Mrs W £250 for the trouble and upset this has caused.

Both Mrs W and Vanquis responded to my provisional decision, so the case has been passed back to me to make 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.

I gave both Mrs W and Vanquis until 17 February 2022 to accept or reject my provisional decision. As both parties have agreed to my provisional decision, I see no need to change or add to this and so my final decision remains the same.

Putting things right

I instruct Vanquis Bank Limited to allow Mrs W to complete an income and expenditure profile to determine whether or not she is eligible to retain the use of her credit card account, as they should have back in October 2020. In addition, I instruct Vanquis Bank Limited to pay Mrs W £250, for the trouble and upset caused.

My final decision

My final decision is that I uphold this complaint.

I instruct Vanquis Bank Limited to allow Mrs W to complete an income and expenditure profile to determine whether or not she is eligible to retain the use of her credit card account, as they should have back in October 2020. In addition, I instruct Vanquis Bank Limited to pay Mrs W £250, for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 15 March 2022.

Barry White
Ombudsman