

The complaint

Ms F complains that Vanquis Bank Limited acted unfairly when it refused to allow her to operate her credit card account with it after she asked it to remove a freeze on the account. She also complains about charges applied to the account.

What happened

Ms F had a credit card account with Vanquis. She says that due to her personal circumstances she'd asked Vanquis to freeze her account. Her circumstances changed and she contacted Vanquis in July 2020 and asked it to remove the freeze from the account so that she could use it again. She'd made four recent payments to the account and she told Vanquis she intended to continue to reduce the outstanding balance but wanted to be able to use the card if she wanted to.

She spoke to Vanquis by telephone on 3 July 2020. It told her there was a Repayment Option Plan on the account. It agreed to remove the freeze from the account. It told her that because of this the Repayment Option Plan would end and charges and interest would start to be applied to the account again. It told her she could start to use the card again and would be required to make the monthly payments. Ms F agreed to make manual payments to the card account.

A few days later Ms F says she tried to access her account using the Vanquis online banking App - but it was blocked. She spoke to Vanquis again. It told her the credit facility on her account had been removed in 2018. At that time the account had been passed to debt collection agents. It had been pulled back to Vanquis when the Repayment Option Plan had been put in place. But, because the credit facility on the card had been removed in 2018, it wasn't possible to allow her to start using her card again. Vanquis told her she'd have to clear the outstanding balance.

Ms F complained to Vanquis about what had happened. It investigated her complaint. It said she'd been sent a Notice of Default on 9 July 2018. She hadn't paid the amount set out on that Notice and as a result her account had been closed. It confirmed that the account was not with a debt collection agency. Vanquis acknowledged that Ms F should've been given this information when she contacted it on 3 July 2020. It apologised for this. But, it said it wasn't willing to wipe the balance off her account and wasn't willing to reactivate the card.

Vanquis agreed to credit her account with £50 for the distress and inconvenience she'd been caused. It said she could contact its specialist team to discuss available options to repay the balance.

Ms F wasn't satisfied with this response. She complained to our service. Our investigator looked into her complaint. She said there'd been a miscommunication during the telephone conversation on 3 July 2020 and the situation regarding the status of Ms F's account could've been better explained. Vanquis had credited Ms F's account with £50 by way of compensation for the poor service she'd received.

But, our investigator didn't think there'd been any error when Vanquis had revoked the credit limit on Ms F's account. She said the default notice had been clear and it would've been irresponsible for Vanquis to have left the credit facility in place given Ms F's financial circumstances. She didn't uphold the complaint and didn't think Vanquis needed to do anything further to resolve the complaint.

Ms F didn't agree. So, the complaint was passed to me to decide. I issued a provisional decision (the first provisional decision) in which I said:

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.

I can see that Ms F was entitled under the terms and conditions for her account to opt into the "Repayment Option Plan" (ROP). Under these terms and conditions if Ms F experienced "difficult financial circumstances" she could request to opt into the ROP. This would mean, whilst the ROP was in place, she wouldn't be able to use her card but she also wouldn't have to make any repayments or pay any interest or charges.

Ms F did request to opt into the ROP. The history of her account shows that she did this during the following periods:

*August 2015 to November 2015 (the first ROP);
February 2016 to January 2018 (the second ROP);
and
September 2018 to July 2020 (the third ROP).*

Ms F says that when she told Vanquis in July 2020 she wanted to opt out of the ROP she expected to be able to use her credit card again. Vanquis refused to do that. It relies on the fact that it says it terminated the agreement with Ms F in July 2018.

I've thought about what both Ms F and Vanquis have said here and considered the following things, in particular:

The sequence of events in July 2018

Having looked at the history of Ms F's account, I can see she first appears to have reported difficult financial circumstances to Vanquis in August 2015 and the first ROP was put in place at that time. Apart from the gap between November 2015 and February 2016, the ROP remained in place until January 2018. It also appears that the reason why the ROP was in place during this period was for the same event. So, Vanquis had permitted the ROP to be in place for longer than 24 months. It hasn't explained why that was permitted. But, Ms F was able to avail of the benefits of the first and second ROP during that period since she didn't have to make any repayments or pay interest or charges.

I've looked at the statements issued to Ms F during the period from February 2016 to January 2018. I can see that after April 2016 all of these statements (with the exception of October 2017 when the ROP

was temporarily suspended) included the following "Important Information:"

"As you have ROP activated on your account no payment is required this month. However, if you wish to reduce your Overlimit amount you can continue to make payments."

This Important Information doesn't appear on statements issued after 3 December 2017. The statements issued in December 2017 and January 2018 state that the minimum payment required is £0. I can see that the statement for February 2018 does indicate that charges have started again. Ms F made a payment of £14 on 9 January 2018.

So, I think Ms F was aware that the ROP had ended and she was required to make payments. She made a further payment of £40 on 2 February 2018 and I can see she used her credit card to make purchases that month also. She made another payment of £10 on 2 May 2018. But the payments she made were insufficient to prevent the account being more than two months in arrears.

From the notes Vanquis has provided it appears that Ms F contacted it in June 2018 and told it about her personal circumstances. Those circumstances would've given rise to a "new event" for the purposes of the ROP. Vanquis asked her to provide it with certain documentation to support what she'd told it but it appears she didn't do that until around August 2018.

After 2 May no further payments had been made to the account, and in the absence of the documentation Vanquis had requested in June, Vanquis sent Ms F a Notice of Sums in Arrears. Her account statement dated 2 July 2018 informed her that her account was suspended. Vanquis also issued her with a Notice of Default on 9 July 2018.

The Notice of Default is an important document. It made clear that Ms F had until 28 July 2018 to make a payment of £88.79 to bring the account up to date. It warned her that if she didn't do that then Vanquis could file a default about her account with credit reference agencies and would terminate the agreement with her.

Ms F didn't make the payment set out on the Notice of Default and, as mentioned above, she didn't provide the documentation about her personal circumstances until August 2018. By that stage the account had been passed to a debt collection agency.

Vanquis hasn't produced a copy of any correspondence it sent to Ms F to formally tell her that the account had been terminated. I've also noted that in November 2020 Vanquis sent Ms F a further Notice of Default. So, it's not clear why it would've done that if it had already terminated the agreement. In March 2021 it reported the default to credit reference agencies.

Having considered the sequence of events, I'm not persuaded that Vanquis had terminated the agreement on 28 July 2018 after Ms F failed to make the payment requested in the Notice of Default. The Notice of

Default had made it clear that that would happen. But, there's no evidence it sent her a termination letter before it passed her account to debt collection agents.

And, it's confirmed that it didn't inform credit reference agencies at that time about the default.

What did Vanquis tell Ms F?

I've also considered the information Vanquis provided to Ms F about her account. I can see that after the account was referred to the debt collection agency, Ms F did provide the documentation about her personal circumstances to Vanquis. It sent her an email on 12 September 2018 and told her it would freeze her account for a period of six months after which it would review the account again. It said she didn't have to make any payments and no interest or charges would be applied to her account. The heading on the email states "Repayment Option Plan Account Freeze Successful."

Subsequently Vanquis sent letters to Ms F. I've looked at letters dated 15 February 2019 and 30 December 2019 – both of which refer to "Repayment Option Plan Renewal Declaration."

I've also looked at the statements sent to Ms F after September 2018. I've noted that none of these make reference to a ROP being in place on the account but no interest or charges were being added to the account and no repayments were required to be made.

The terms and conditions for the ROP state that when an account was opted into a ROP, Vanquis would freeze the account for as long as the difficult financial circumstances continued up to a maximum of 24 months per event (or series of connected events). The terms also state that after the difficult financial circumstances ceased to apply or after 24 months (whichever is sooner) the cardholder would be able to use their card or account but interest, fees and charges would start to accrue again.

Having looked at all of the correspondence, I'm not persuaded that Vanquis did make clear to Ms F that because her account had been terminated the usual terms and conditions associated with the ROP did not apply. So, I can understand why Ms F thought that she could reactivate the account when she contacted Vanquis in July 2020. I've commented further about that below.

Was it fair and reasonable not to reactivate the credit card when Ms F asked Vanquis to do that?

At the date when Ms F asked Vanquis to reactivate the card, the account was at or very close to the credit limit. She hadn't made any payments to the account in the period since 2 May 2018. And, even though Ms F agreed to start to make payments to the account, those payments were relatively small.

The terms and conditions for the account make clear that Vanquis can change the credit limit at any time. So, it wasn't obliged to continue the credit limit at the level it had previously been set at. And, it is the case that Vanquis is required to act responsibly when setting and agreeing credit limits.

Vanquis told Ms F it would reactivate the account. That was an error on its part. It subsequently acknowledged that error, agreed to repay the four payments of £10 Ms F had made to the account and paid her £50 by way of an ex gratia payment for its error. I think that was fair and reasonable.

But, having considered everything here I'm not persuaded, on balance, it would be fair or reasonable to require Vanquis to reactivate the card.

Fees and interest applied to the account in the period after July 2020.

I've looked at the fees and interest Vanquis has applied to this account in the period after July 2020 when Ms F asked it to reactivate her card.

I can see Vanquis has applied interest and fees. It's also applied a monthly charge for the ROP. Given what it's told us, I don't think it's fair and reasonable for Vanquis to have applied charges for the ROP. If it had terminated the account in July 2018, as it says it did, Ms F wouldn't have been entitled to opt into a ROP after that date. Any freezing of her account would have been dealt with in line with Vanquis's obligations to treat her positively and sympathetically when she told it about her financial circumstances. So, I've provisionally decided it should refund all ROP charges applied after July 2020.

I've also thought about what would've happened if Vanquis had correctly informed Ms F that it had terminated her account in July 2018 and told her she couldn't reactivate her account. If it had told her that I don't think she would've asked for the freeze to be removed from her account in July 2020 and fees and interest wouldn't have started to be added to her account at that time. So, I think Vanquis should refund all fees and interest added to the account after July 2020.

Vanquis has now filed a default with credit reference agencies. For the reasons set out above, I don't think that would've happened had Ms F known she couldn't reactivate her account. If she'd known that I think the account would've remained frozen and the Notice of Default wouldn't have issued. So, my provisional view is that Vanquis should remove the default it filed with credit reference agencies.

Ms F will still owe the outstanding balance to Vanquis after any refunds have been applied and she will need to contact Vanquis to make arrangements for the repayment of that balance.

Distress and inconvenience

I've also thought about the loss of expectation, trouble and inconvenience Ms F has experienced as a result of what's happened. Vanquis has

already paid her £50 because it incorrectly told her it would reactivate her credit card. But, she's continued to be charged fees and interest and has been sent a further Notice of Default. She's told us that because of her personal circumstances she's been extremely upset by the demands for payment and was concerned about being put into a state of hardship because she couldn't afford the amount stated in the Notice of Default.

As I mentioned above, I think Ms F should repay the balance outstanding. And, we would expect Vanquis to treat her positively and sympathetically given her circumstances.

Vanquis did refund the four payments of £10 she'd paid. In its final response letter, it also told her she could contact it to discuss available options to agree a suitable repayment plan. And, as mentioned above, it paid her £50 by way of compensation for the incorrect information it'd given her when she telephoned it in July 2020. I think that was fair and reasonable. Having considered everything here, I'm currently not minded to require it to pay her any further compensation for distress and inconvenience because of what's happened.

My provisional decision

For the reasons given above, my provisional decision is to uphold this complaint about Vanquis Bank Limited. I intend to require it to:

- Refund all interest and fees (including the Repayment Option Fees) applied to Ms F's account after July 2020; and*
- Remove the default filed with credit reference agencies about Ms F's account.*

Ms F responded to my first provisional decision. She said she could afford to make repayments to clear the debt if all the charges were refunded – although she said this would cause hardship. She then sent copy statements. She said the treatment she'd received from Vanquis had been disgraceful. She thought the interest rate had been extortionate. She also said that the balance on her account was made up mostly of charges. She thought the debt should be wiped.

Vanquis also responded to my provisional decision. It said it had nothing further to add but it pointed out that if the default was removed, Ms F was at risk of this reporting again in the future. It said it was important that Ms F got in touch with it to agree an affordable and sustainable payment arrangement to avoid the default reporting again.

We asked Ms F to comment on what Vanquis had said. We pointed out to her that after the balance on her account had been reworked in line with what was set out in the provisional decision, there would still be a balance outstanding. We told her that unless she was able to repay that balance in full or restart the contractual payments there was a risk that the account could default again and Vanquis could record another default which would remain on her credit file for six years.

Ms F said she wanted the default to be removed. She said she could make payments each month but couldn't afford to pay it off quickly due to her circumstances.

In light of the responses to my first provisional decision I issued a further provisional decision (the second provisional decision) in which I said:

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.

I've thought firstly about what Ms F told us concerning the charges and interest that'd been applied to her account. As I said in my previous provisional decision, I think all charges and interest after July 2020 should be refunded to the account. That will still leave a balance outstanding which Ms F will have to repay.

I have examined the statements for the account prior to July 2020 and I haven't found evidence to support what Ms F says about unfair charging. I've also noted there were a significant number of refunds of interest and charges made to the account during that period. There was also an ex gratia payment of £25 made on 31 January 2018.

I remain of the view that Vanquis should refund all charges (including the Repayment Option Fees) applied to the account after July 2020. But, that does mean there will still be a balance outstanding and Ms F should make arrangements to repay that balance. I don't think that Vanquis should be required to "wipe the debt."

I've then thought about the default that's been recorded. In my provisional decision I said that I thought Vanquis should remove this default. Ms F has been made aware of the consequences if she isn't able to agree a suitable repayment plan with Vanquis for repayment of the outstanding balance. She's told us she wants the default removed from her credit file.

When thinking about how this case should be resolved, I'm currently minded to change my provisional decision about how the default should be dealt with. I don't think it would be fair or reasonable to put Ms F into a position where the default could report again. She's told us that even with the payments she's proposing to make (which could take several years to repay the debt) she'd be in financial hardship.

So, I've looked again at the default recorded. I can see Vanquis recorded this in March 2021. It will remain on Ms F's credit file for six years from that date. As I said in my provisional decision the last payment made by Ms F, after the second ROP ended was May 2018. A notice of default was issued in July 2018 and the account passed to a debt collection agency. Vanquis didn't terminate the account at that time and it hasn't been able to explain why. It says it thought it had done so – but hasn't provided evidence to support that.

So, having thought about everything again, although I'm still persuaded for the reasons set out in my provisional decision, that Ms F believed she could reactivate the ROP in September 2018 and Vanquis did reactivate the ROP at that time, I'm currently minded to ask Vanquis to backdate the default to 28 July 2018. That was the payment date stated in the default notice issued at that time and no payments were received after May 2018. I think that's a fair and reasonable way to resolve this complaint. It would also mean that the default wouldn't be reported again if Ms F is unable to agree a suitable and sustainable repayment plan with Vanquis.

My provisional decision

For the reasons given above my provisional decision is that I intend to uphold this complaint about Vanquis Bank Limited. I intend to require it to:

- *Refund all interest and fees (including the Repayment Option Fees) applied to Ms F's account after July 2020; and*
- *Backdate the default filed with credit reference agencies about Ms F's account to 28 July 2018.*

Vanquis responded to my second provisional decision. It confirmed that it accepted the second provisional decision and had nothing further to add.

Ms F also responded to my second provisional decision. She said that due to her personal circumstances, she could only afford to pay a small amount each month. She said that because of the default other credit agreements were more expensive than they would otherwise have been. She said she wanted the default removed.

So, I now have 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've thought carefully about what Ms F has told us in response to both provisional decisions. She hasn't told us that she can clear the full outstanding balance with Vanquis. And it appears that the proposed repayments which she says she can afford to make would mean that the balance wouldn't be cleared for some time. Ms F has also told us previously that the repayments she is proposing to make would cause her hardship.

As I said in my second provisional decision I don't think it would be fair or reasonable to put Ms F into a position where the default could report again. And, having considered everything Ms F has told us, I remain of that view.

So, for the reasons set out above and in my first and second provisional decisions, I've decided that Vanquis should refund all interest and fees (including the Repayment Option Fees) applied to Ms F's account after July 2020. And for the reasons set out in my second provisional decision and above, I've also decided that Vanquis should backdate the default filed with credit reference agencies about Ms F's account to 28 July 2018.

My final decision

For the reasons given above I uphold this complaint about Vanquis Bank Limited. I now require it to take the following actions:

- Refund all interest and fees (including the Repayment Option Fees) applied to Ms F's account after July 2020; and
- Backdate the default filed with credit reference agencies about Ms F's account to 28 July 2018.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or

reject my decision before 28 March 2022.

Irene Martin
Ombudsman