

The complaint

Mr F says Vanquis Bank Limited closed his account for an invalid reason. He then couldn't make his repayments using the app and it unfairly reported his arrears to the credit reference agency(ies).

What happened

Vanquis wanted to do additional security checks on Mr F's account and so put a block on his account. It asked him to send proof of his address, employment and identity by post. Mr F did not want to do this so it agreed he could send two of them by email. It gave Mr F 60 days to comply and provided the address he should use for his proof of address. Vanquis then closed Mr F's account saying he had sent the information in too late. As this meant he lost access to its app he could not pay in the way he wanted to and so missed payments. This affected his credit file. He says he did not want to pay by phone as he deems this to be unsafe.

Mr F raised three separate complaints with Vanquis. It paid Mr F £10 towards his cost of postage for the proof of address, and later paid him £35 after it had told him on a call that it had received his proof of address when in fact it hadn't. But overall it said the correct process was followed to close his account and the adverse data accurately reflects his account management.

Mr F wants Vanquis to reopen his account and to remove all adverse information from his account history and credit file – had he not lost access to the app he would have paid. He wants it to settle his outstanding balance to cover the cost of postage and his time; to make this postal address clearer on all communications. He wants compensation for loss of earnings as the transaction it stopped was for a domain and without it he could not start his business and for the distress this whole incident has caused him as a previously perfect customer.

Our investigator upheld Mr F's complaint in part. She said Vanquis had now offered an additional £100 to compensate Mr F for the distress and inconvenience caused by the account closure and it was willing to re-open the account. This was because Vanquis had previously incorrectly told Mr F it didn't receive his documents on time, but it has now confirmed it did. So it agrees its decision to close Mr F's account was not justified. Our investigator felt this was a reasonable resolution overall. She also explained the account terms allow the bank to block a transaction and the card for security reasons. However, she did not agree Vanquis was wrong to report Mr F's missed payments onto his credit file. Mr F may have been unable to use his preferred payment method, but other options were listed on his statement.

Unhappy with this assessment Mr F asked for an ombudsman's review. He said if there was a temporary suspension in an account it is unfair account fees and charges can still be applied in that time. And the account is not as it was when blocked as the balance is higher, and his credit limit has been reduced. He thinks it's reasonable not to want to pay by phone as he deems it unsafe having been a victim of fraud this way in the past. The compensation offered is not enough given the damage caused to his credit file and the reduced limit.

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.

Having done so I am upholding Mr F's complaint in part. I will explain why but first I want to make clear our role. As an independent and impartial organisation we don't act on behalf of either consumer or banks - there's no benefit for us to find in favour of one party over the other. If Mr F is unhappy with my decision he might be able to progress his dispute through the courts but that would be an entirely separate process and not something we would be involved in. We are an alternative to the courts – an informal dispute resolution service.

The initial block and request for more information

Vanquis was entitled to block the transaction and account under the terms and conditions Mr F agreed to. It tried to accommodate his request to send the information required by email, but one piece needed to be posted. It gave Mr F the address to use. I note Mr F used a different address, and also invoiced Vanquis for his time to comply with its request. I don't find this to be reasonable – and wouldn't expect Vanquis to cover his costs as set out at £125. Where Vanquis did go wrong however is that it gave inaccurate information as to whether it had received Mr F's documents or not. To the extent that it then closed his account when he had in fact complied with its request in the 60 days allowed. However, it has now recognised this error, apologised and offered £100 compensation, as well saying it will re-open the account if Mr F wishes. I find this to be a fair and proportionate response.

The missed payments and reporting to the credit reference agency(ies)

I don't agree with Mr F's point that if an account is on hold no fees or charges should be applied. There is no clause in the terms that makes this provision. He agreed to how interest and charges are applied to his account when he opened the account, and the balance is money he owes as he had had the benefit of the credit. I understand Mr F did not want to pay by phone, but he had other options such as cash, cheque or postal order in person at his bank or his local post office or by post for the latter two methods. It follows therefore that whilst I acknowledge it is now accepted Mr F's account was closed in error, he should still have met his contractual obligation to make the minimum payment. When we consider a bank's error we also look at what a customer could have done to mitigate any impact. And in this case that means I think Mr F should have kept his account up-to-date using one of the other payment methods.

More recently Mr F complained that his credit limit had been reduced but based on my findings above, and the terms of the account that allow Vanquis to vary the limit, I will not be instructing it to re-instate Mr F's former limit.

In summary, I find Vanquis did act in error when it closed Mr F's account, but it has offered a suitable payment to compensate for this. I do not agree this caused the damage to Mr F's credit history, rather that was his decision not to make repayments.

Putting things right

Vanquis must now pay Mr F £100 compensation.

My final decision

I am upholding Mr F's complaint in part. Vanquis Bank Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 18 October 2022.

Rebecca Connelley
Ombudsman