

The complaint

Miss C is unhappy that Vanquis Bank Limited didn't default her account following the issuance of default notices to her.

What happened

Miss C took out a Vanquis credit account in 2011. In October 2014, Miss C fell into arrears on the account. Vanquis issued a notice to Miss C in December 2014 which explained that they might default the account if Miss C didn't take steps to address the arrears on the account in a timely manner. Similar default notices were issued to Miss C by Vanquis in August 2015 and November 2017.

Miss C was able to avoid the defaulting of the account on all three occasions and made payments to reduce the balance of the account until the balance was brought to zero in January 2019, at which time the account was closed. However, Miss C noted that Vanquis' reporting of the account to the credit reference agencies included the arrears that had accrued on her account at various times.

Miss C wasn't happy about this, and felt that had Vanquis defaulted the account when they'd first said they might do, in 2014, the adverse reporting for that default would have dropped off her credit file after six years, meaning that her credit file was presently in a worse position than would have been the case had the account been defaulted. So, she raised a complaint.

Vanquis looked at Miss C's complaint. They confirmed that Miss C's account hadn't been defaulted at any time because Miss C had always taken steps to address the arrears present on the account so as to avoid the account being defaulted. As such, Vanquis didn't feel that they'd unfairly treated Miss C by not defaulting the account.

Miss C wasn't satisfied with Vanquis' position, so she referred her complaint to this service. One of our investigators looked at this complaint. But they also didn't feel that Vanquis had acted unfairly towards Miss C, and so they also didn't uphold the complaint.

Miss C remained dissatisfied, so the matter was escalated to an ombudsman for 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.

The Information Commissioner's Office ("ICO") issues guidance on when a credit provider such as Vanquis should consider defaulting a credit account for the non-payment of account arrears. This guidance includes that a credit provider should generally provide a notice to an account holder that their account may be defaulted when that account has fallen into around three months of arrears, and that an account should be defaulted preferably before an account falls into more than six months of arrears.

Vanquis have confirmed that their own policies sit in accordance with the ICO guidance, and that they look to issue a notice of default before an account falls more than three months into arrears and to then default an account if the account holder hasn't taken any steps to address those arrears to Vanquis' satisfaction before that account falls into more than six months of arrears. And, given that Vanquis' policy here is in line with the guidance issued by the ICO, that policy seems reasonable to me.

Importantly, in this instance, on all three occasions that Miss C was issued a default notice by Vanquis, she took steps to address the arrears on her account before her account reached a point where Vanquis would look to default the account as per their own policies.

For instance, following the issuance of the default notice in December 2014, Miss C contacted Vanquis the following month and made an arrangement with them. And after the August 2015 default notice was issued, Miss C made a payment that addressed the arrears on her account that same month. Finally, when the November 2017 default notice was issued, Miss C entered into a payment plan in February 2018, just in time to avoid the account being defaulted.

It also must be noted the defaulting of an account is generally something which credit account holders are keen to avoid, often because account holders don't want a default reported to their credit file, as this would have a significant effect on their ability to obtain credit at a favourable rate during the six-year period that the default would remain visible on their credit file. And, as explained above, Miss C did take steps on all occasions that she received a default notice to address the arrears on her account and to avoid having her account defaulted.

Accordingly, I don't feel that Vanquis have acted unfairly or unreasonably towards Miss C by giving her the opportunities to avoid the defaulting of her account, and then by not defaulting Miss C's account when she took those opportunities.

While I can appreciate that Miss C may be unhappy that her Vanquis account continues to be reported to her credit file at this time, credit providers such as Vanquis have an obligation to make accurate reports to the credit reference agencies, and so I don't feel that it's unreasonable or unfair for Vanquis to be reporting this account as they are – given that it does provide an accurate portrayal of how Miss C administered the account.

And, while Miss C may feel that her credit file is in a worse position now than it would have been had Vanquis defaulted the account in 2014, not only is it the case that she took effective steps to avoid a default in early 2015, as explained above, but it also must be remembered that Miss C has benefited from her credit file being in a better position for the six-years after that default notice was issued – given that her account wasn't defaulted – than would have been the case had her account been defaulted at that time.

Finally, I note that Miss C also feels that because she received a reimbursement of some account interest by Vanquis that this means the balance and arrears information present on the default notices and reported to the credit reference agencies by Vanquis is incorrect, and that the account should be deleted from her credit file as a result.

But the payment that Miss C received from Vanquis took place because Vanquis were instructed by the Financial Conduct Authority to compensate customers due to concerns about a repayment option plan offered by Vanquis on their accounts. As such, I'm satisfied that this reimbursement shouldn't fairly retrospectively affect the validity of the account and arrears balances, including how those balances are reported to the credit reference agencies, as Miss C believes should be the case here.

All of which means that I don't feel that Vanquis have acted unfairly or unreasonably towards Miss C here, and it follows from this that I won't be upholding this complaint or instructing Vanquis to take any further action.

I realise this won't be the outcome Miss C was wanting, but I trust she'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 21 October 2022.

Paul Cooper
Ombudsman