

The complaint

Mr A complains that he settled his loan from Vanquis Bank Limited (Vanquis), but there was a balance outstanding.

What happened

Mr A borrowed £3,000 from Vanquis in January 2020. Monthly repayments were £147.47 – 36 payments. The total amount to be repaid was £5,308.92 and the interest rate was 49.9% APR. On 26 May 2020, Mr A contacted Vanquis by SMS to ask for an early settlement figure – he said the interest rate was too high. On 27 May 2020, Vanquis replied by SMS to say the settlement figure would be £3,069.08, and the offer was valid until 24 June 2020. The interest saving was £1,797.43. Vanquis said that if the next payment went through on 28 May 2020, then £147.47 would be deducted from the settlement figure and the amount to settle would be £2,921.61.

On 30 June 2020, Mr A paid £2,774.14 to the loan account. Repayments stopped. Vanquis treated this sum as repayments until it was used up; after that, the loan was treated as being in arrears.

Mr A complained. He said Vanquis told him that he needed to pay £2,921.61 within 30 days. He said the SMS message came after he had paid the next instalment of £147.47, so he deducted that and paid £2,774.14. He said he had spoken to Vanquis to clarify that was the right amount. And he said he paid the amount in on 26 June 2020, but Vanquis claimed to have received it on 30 June 2020. The delay in the banking system wasn't his fault. He was now being asked to pay £1,579.22 to settle the loan that he repaid years ago. He said that was unfair and Vanquis should now close the loan with little cost to him.

Vanquis said a settlement figure of £3,068.08 was given to Mr A on 27 May 2020. They told him that after deducting the next instalment, the amount to pay would be £2,921.61. This was provided he paid this by 24 June 2020. But Mr A paid £2,774.14 – which wasn't either of the settlement figures provided to him. And the payment was made on 30 June 2020 which was after the quoted settlement date. They advised missed payments to the credit reference agencies as payments weren't being made. The amount to repay the loan as at 2 April 2022 was £1,579.22. On a separate complaint, Vanquis apologised that they hadn't dealt with Mr A's complaint quickly enough and paid compensation of £25 for that.

Mr A brought his complaint to us. Our investigator said Vanquis acted reasonably – because Mr A hadn't paid the amount quoted and the date of the offer had passed by the time he paid in the amount anyway. He said that the credit reference agencies were notified of missed payments as the loan hadn't been settled, and payments missed.

Mr A asked that an ombudsman look at his complaint.

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 looked at the SMS exchange between Mr A and Vanquis – which is important to the crux of this complaint. On 26 May 2020, Mr A told Vanquis that he wanted to pay off the loan early because of the high interest rate. On 27 May 2020, Vanquis replied by SMS: *“If you want to settle your account in full the amount payable is £3,069.08 which includes an interest saving of £1,797.43. We will send you a written settlement quote by post. The settlement quote is valid for 28 days until 24/06/2020.*

If the payment of £147.47 is paid on the 28/05/2020 but you still wish to settle the loan by the 24/06/2020, this payment would be deducted from your quote leaving £2921.61 to pay. The interest saving would remain the same.”

We asked Vanquis for a copy of the letter that was sent – they told us that in fact, a letter wasn't sent. But I don't think that's important here – as the SMS quote is clear.

Mr A then paid in an amount lower than what was needed - £2,774.14. And he paid that on 30 June 2020 - later than the deadline of 24 June 2020. Mr A says the payment delay was due to the banking system, and he paid it in on 26 June 2020. But – even that date was later than the deadline for payment in any case. So here – Mr A didn't pay the amount needed, nor by the settlement date. Why that happened isn't clear – quite possibly Mr A miscalculated or misunderstood what he needed to do. But as I've said, I'm satisfied that Vanquis' instructions were clear.

Mr A has argued that he called Vanquis later - after the next instalment was paid (on 28 May 2020) - and asked for clarification. He said he was told to deduct a further amount of £147.47 to arrive at the settlement amount. We asked Vanquis for their contact records and they show there was a call on 28 May 2020. We asked for this call and listened to it. But it related to Mr A's credit card – not the loan. We saw Vanquis' records of calls between 28 May 2020 and 30 June 2020 – and there weren't any other calls between those dates. And so – I can't say there was a call during that time.

I went on to consider what happened after the amount of £2,774.14 was paid in – I wanted to ensure that Mr A was treated reasonably after that was done. What happened was that Mr A made a partial repayment. And in Vanquis' loan agreement (which Mr A would've had a copy of) it says *“On or after making an early partial repayment, you can ask us to give you a statement showing the effect of your early repayment on your Account.... If you make an early partial repayment, you can choose whether your remaining balance is to be repaid within a shorter Term (in which case the monthly payments will stay the same) or whether your monthly payments are to be reduced (in which case the original Term will stay the same). If you make an early partial repayment, we will assume that you wish the Term to remain unaltered unless you request otherwise.”* In other words – the onus was on Mr A to contact Vanquis to say he wanted the loan to be recalculated with lower payments, or a shorter term – but he didn't. So, I think Vanquis acted fairly in letting the loan run as before – with the same payments and term.

Mr A cancelled his direct debit, and so Vanquis used the early payment amount of £2,774.14 to meet the next series of payments until the amount ran out. And after that, they treated the payments as missed and reported them to the credit reference agencies – which I think was reasonable to do.

I also saw that Mr A was sent an annual statement on his loan in January 2021 and then in January 2022 – so he could have seen what was happening.

It's unfortunate for Mr A how matters played out, and he is now faced with a quote to settle

the loan as Vanquis set out to him. But having looked at all the evidence, I think Vanquis acted reasonably and I won't be asking them to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 6 February 2023.

Martin Lord
Ombudsman