

## **The complaint**

Mr K has a credit card provided by Vanquis Bank Limited ("Vanquis") and complains about the lender's unfair registration of a default on his credit file and Vanquis's actions following the default.

## **What happened**

I don't propose to detail here the full history of the credit card account, but I will outline the key events which I think are relevant to my decision.

Mr K missed a number of payments on the credit card account. The lender issued a notice of default and Mr K, following a number of conversations with Vanquis, entered into a payment arrangement with the lender. But the lender had in the meantime requested that a default be put on Mr K's credit file. Vanquis then accepted that the default was incorrectly applied to the credit file and said that it had asked the credit reference agency for it to be removed and that it would provide Mr K with £50 compensation. Mr K said that the amount of £50 was inadequate compensation and he was concerned that it would take six to eight weeks to remove the default as this would affect his chances of obtaining employment for that period. He is also unhappy that Vanquis has removed his access to the card account other than for repaying his outstanding balance.

Mr K said he had been affected both financially and mentally. He was unemployed and living on benefits. He had to cancel all his job applications for two months as the presence of the default on his credit file would prevent him getting a job as potential employers would do a credit check before employing him. He is seeking immediate removal of the default, acceptable compensation and access to his card account.

Vanquis accepted that Mr K had set up a payment arrangement within 28 days of the issue of its notice of default and so the default shouldn't have been registered at the credit reference agency in line with the terms of the notice. It said that its agent should have discussed the default notice with Mr K at the time he set up the payment arrangement which the agent failed to do.

## *Our investigator's view*

The investigator didn't recommend that the complaint should be upheld.

Mr K disagreed. He said that he hadn't obtained employment as he'd failed an employer's credit check due to the default following interviews in June and July 2022.

The investigator asked Mr K to provide evidence to support the loss of employment due to the damage to his credit file. Mr K didn't provide any evidence in response to the investigator's request.

As this complaint hadn't been resolved informally, it was passed to me, as an ombudsman, to review.

## **My first provisional decision**

After considering all the evidence, I issued my first provisional decision on this complaint to Mr K and to Vanquis on 13 December 2022. I summarise my findings:

Both sides agreed that the default shouldn't have been registered. So, I thought it was fair that Vanquis had offered to remove this, but what I needed to consider was the impact the default had had on Mr K.

I'd noted that Mr K had said that the only adverse entry on his credit file was the default from Vanquis and that this had caused him to lose potential employment. I could also see that Mr K had said that he hadn't applied for jobs for two months because of his concern about failing potential credit checks because of the default. Mr K had also told this Service that he was offered employment in early-November 2022 which was revoked later that month. But without firm evidence that the presence of the default on Mr K's credit file was the sole reason for the rejection of Mr K's job applications, I couldn't say that Vanquis should be held responsible for this. I also thought Mr K could have presented Vanquis's final response letter to a potential employer to explain that the default was registered in error.

But I was sure the incorrect registration of the default has been stressful and frustrating for Mr K. I'd noted that Mr K had told Vanquis about his employment situation in a conversation with it in June 2022, so it ought to have been aware of the potential consequences of the registration of a default on his employment search.

So, I thought that Vanquis's offer of £50 compensation wasn't appropriate and that the payment of an additional £150 would be fair.

Vanquis responded to my first provisional decision to say that it disagreed with an assumption that seemed to have been made, inasmuch as it had always stated that the default was correctly registered. It said that it shouldn't have offered to remove it in the first place, but felt that as the offer had been made, it ought to honour the offer. But it didn't feel additional compensation was justified.

Mr K responded to my first provisional decision by providing us with an email from a potential employer ("E"). This said that it had performed a credit check on Mr K in November 2022 and was informed of a default on the credit report which led to its job offer being withdrawn. Mr K also said that the failed credit check that resulted from the default on his credit file had also now stopped him from being able to reapply to E until May 2023. He had spent a long time looking for a new job and the role at E was due to start at the beginning of January 2023. But because of Vanquis's error in not removing the default, he was still out of work.

## **My second provisional decision**

After considering all the evidence, I issued my second provisional decision on this complaint to Mr K and to Vanquis on 23 February 2022. I summarise my findings:

I'd noted in Vanquis's response to my first provisional decision that it said that the default should never have been removed. But I didn't think it was reasonable for Vanquis to say that the default should never have been removed as it had said in its final response letter that it would remove it.

I'd reviewed E's email which said that its job offer to Mr K had been withdrawn because of the default. I was satisfied that E's withdrawal of a job offer in late November 2022 was because Vanquis hadn't removed the default from Mr K's credit file which it had agreed to

do. I could see that Mr K would have been extremely disappointed that E's job offer had been withdrawn. I could also see that Mr K wouldn't be able to apply for a job with E again for six months because of the job offer withdrawal which would have also concerned him. But I understood that the default was being removed around 12 December 2022. So, it would have been possible for Mr K to apply for other suitable roles at employers similar to E after that date.

Taking everything into account, I was satisfied that Vanquis's failure to remove the default caused Mr K considerable distress and inconvenience which could have been avoided if Vanquis had done what it said it would do in its final response letter in June 2022. So, subject to any further representations by Mr K or Vanquis, I'd said that I intended to uphold this complaint in part and say that it would be reasonable for Vanquis to pay Mr K an additional £500 compensation for distress and inconvenience (instead of the additional £150 compensation I'd proposed in my first provisional decision and in addition to the £50 compensation already credited by Vanquis to Mr K's account).

I'd also considered whether Mr K should receive an award for financial loss (his lost wages). But I didn't think he should. I didn't think Mr K had made reasonable efforts to limit the harm he'd suffered as a result of Vanquis's actions. I thought he could have contacted E as it had suggested in its email and provided it with supporting evidence (the final response letter from Vanquis) about the default. And if Mr K had shown E the final response letter, it's possible it might have changed its decision and the loss of wages might have been avoided. But I couldn't see that Mr K had tried to limit this loss and so I didn't think I could make an award for financial loss.

Mr K responded to my second provisional decision and said, in summary, that he'd contacted E to inform them that the default had been applied to his credit file in error. He'd tried his best to rectify the situation. But E told him that the decision had been made to withdraw the job offer and there was nothing they could do as he had failed the credit check and it wasn't possible to run a further check. Mr K said he didn't provide E with the final response letter as it was a letter dated July 2022 where Vanquis didn't action the remedy it promised it would.

Vanquis responded to my second provisional decision to say that in recognition of its offer to remove the default and the subsequent delay resulting from this, it was happy to pay £500 compensation to Mr K.

### **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 note that Mr K said that he'd tried his best to tell E about Vanquis's error and explain the situation. But I also note that he told this Service it wasn't his job to sort out Vanquis's mistakes. Mr K says that the final response letter was redundant but it's possible that providing Vanquis's final response letter to E might have made a difference. But even if it didn't, that was ultimately because of E's decision and not Vanquis's actions. So, I don't think it would be proportionate to hold Vanquis responsible.

I said in my second provisional decision that Mr K was also able to apply for other suitable roles once the default had been removed in mid-December 2022, which wasn't long after he became aware that the default was still on his credit file. And I think this remains a consideration when looking at the extent of Vanquis's liability for what Mr K is claiming.

Taking everything into account, I don't think it would be fair to hold Vanquis responsible for Mr K's financial loss here. Otherwise, I see no reason to depart from the conclusions I reached in my second provisional decision. It follows that I uphold this complaint in part and require Vanquis to take the steps set out below under the heading "Putting things right - what Vanquis needs to do".

I understand that there are still arrears on the account. If Mr K hasn't already done so, I would urge him to contact Vanquis to arrange a mutually agreeable repayment plan to prevent a default being put on his credit file.

### **Putting things right – what Vanquis needs to do**

Vanquis should pay Mr K an additional £500 compensation for distress and inconvenience (in addition to the £50 compensation already credited by Vanquis to Mr K's account).

### **My final decision**

My final decision is that I uphold Mr K's complaint in part. In full and final settlement of this complaint, I order Vanquis Bank Limited to take the steps set out above under the heading "Putting things right – what Vanquis needs to do".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 April 2023.

Roslyn Rawson

**Ombudsman**