

## **The complaint**

Miss A complains that Vanquis Bank Limited have unfairly applied a default to her credit card account.

## **What happened**

Miss A had a credit card account with Vanquis. Miss A said she was struggling to make her repayments and had incurred late and over the limit payments. She asked Vanquis to help by providing some “*breathing space*” for her. Miss A said she was struggling with the cost of living especially gas and energy bills. She told Vanquis she needed breathing space for a couple of months, after which she’d be able to meet her credit commitments. But Vanquis had continued to charge interest and fees making her situation worse. And had issued a default notice and stopped her being able to use her card. She complained to Vanquis.

Vanquis said they waived several late and over the limit payments for Miss A. And had tried to help but she had stopped engaging with them. They said when she called to ask for breathing space their agent had advised her correctly about her account. And had referred her to a third party to assist her with her financial situation. But they said it could have been made clearer to Miss A that collection activity would still continue. They offered £25 as a gesture of goodwill for this.

Miss A wasn’t happy with their response and referred her complaint to us.

Our investigator said Vanquis had acted fairly and reasonably in their actions with Miss A.

Miss A didn’t agree and has asked for an ombudsman to decide.

## **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.

Vanquis have provided system information and call recordings. And I’ve Miss A’s testimony. In reaching my decision for me to ask Vanquis to do something differently I must be satisfied that they’ve done something wrong. I know this will disappoint Miss A but I don’t think they have. I’ll explain why.

From September 2022 I can see that Miss A was beginning to struggle to manage her credit card account with Vanquis. And she asked for a late payment fee to be refunded, which Vanquis agreed to. In November 2022 I can see that Miss A cancelled her direct debit with her bank.

In early January 2023 Vanquis contacted Miss A through their messaging service as she’d missed payments. I can see that Vanquis and Miss A went through her income and expenditure as Miss A had said she was struggling financially. Miss A said she could pay £10 per month towards her balance. But the details Miss A gave about her income and expenditure showed she didn’t have any income after paying her non-discretionary bills for a

payment plan to be put into place, Vanquis calculated she'd a £44 deficit. Miss A is told that a payment holiday isn't an option, and a payment plan can't be arranged as she had insufficient income. Miss A is advised to seek help from debt advice services. Miss A is also told that the collection calls would be stopped for 30 days while she sought help.

At the end of January 2023, Miss A called Vanquis again to ask for a payment break to be put into place. I've listened to this call. Miss A explains that she can't make her payments and wants all fees stopped. She is advised that late payments can impact her credit history and she's asked what was causing her financial difficulty. Miss A is told in the first instance a referral would be made to a third party to see if they can put in place a solution. The agent explains the need to understand her situation and her request for "*breathing space*" is so that the third party they refer her to can understand her situation and look to help. Miss A explains that she isn't working, her only income is benefits, and due to high energy costs she is struggling.

Miss A said she hoped to be in a better position within a couple of months. Miss A is told that the third party can look to stop collection activity and suspend interest for 30 to 60 days. But if they couldn't find a solution she could come back and they'd look to set up a short-term arrangement for about three to six months, where interest and fees could be frozen. But as this would impact Miss A's credit file, the referral to the third party was the first option for her. Miss A also asked for late payment and an over the limit fee to be waived. And this is done.

Miss A towards the end of the call asks for clarification as to what would be happening. And she is told that she'd get an email about the third-party referral, and that normal collection activity would continue until the solution was in place. Miss A reiterates her need for a two-month break, and she is advised again to first see what help the third party could provide. Miss A is also told that the referral would only be in place for 30 days. And if an arrangement couldn't be made, she would need to come back to Vanquis for them to look at whether a short term arrangement could be set up, again making clear the impact this would have on Miss A's credit file.

In late February 2023 Miss A contacted Vanquis again and asked for all interest and fees to be waived. Miss A is told that this isn't an option, and she is asked about the third-party referral. Miss A confirms she spoke to the third party and that a call had been arranged for the day before but she'd other issues that prevented this. Miss A said it was for Vanquis to waive any interest and charges.

When a customer contacts a bank and says she is in financial difficulty they're required to respond positively and sympathetically. But this doesn't mean they're required to waive all charges and interest. I'd expect Vanquis to explain the different options Miss A had and the likely consequences or financial implications of each option so that Miss A could make an informed decision about what was best for her. I can see that Vanquis tried to help Miss A, they refunded several over the limit and late payment charges and offered her practical help and advice.

I can see from Miss A's statements, for February, March and April 2023 that she was over her credit limit of £250. And her arrears were increasing from £103.82, to £141.25 to £157.50 each month. I haven't seen any payments made towards the account. From Vanquis' records I can see Miss A had also missed her payment in December 2022 and January 2023. In early March 2023, Vanquis sent Miss A, a Notice of Default. As this was over 30 days since the late January 2023 call detailed above. I haven't seen any evidence that Miss A had arranged a solution for her financial situation following the third-party referral. And she didn't have sufficient funds for a payment arrangement to be set up.

The letter with the Notice of Default which Miss A received wasn't telling her that her account

had definitely been defaulted. It was a notification as the steps that Vanquis would take if her account wasn't brought up to date. The wording explained that "*if you fail to comply...*" Vanquis "*may*" issue a default. And it also specifically said that this could be remedied if Miss A made a payment to clear her arrears. As Miss A didn't make any payment towards her arrears by the end of March 2023 Vanquis defaulted her account.

The Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. We think it wouldn't be fair if the business didn't record the default by the time the consumer is between three and six months in arrears, as by this point it'd be clear they aren't able to make their contractual payments.

This was the case with Miss A. From early January 2023 I think Vanquis had been clear that a payment holiday wasn't an option, a payment arrangement couldn't be agreed as she'd insufficient monies available to meet her essential commitments. And that Miss A needed to seek help from debt management services. But I can't see that Miss A sought this help in early January 2023 neither did she fully engage with the third-party Vanquis referred her to in late January 2023.

While I understand the difficult position Miss A was in I can't say that Vanquis acted unfairly or unreasonably in their actions with her. They refunded several over the limit and late payment fees. They carried out an income and expenditure assessment to see whether a payment arrangement could be put in place. When this wasn't an option because Miss A didn't have any disposable income, they put on hold any collection calls to Miss A whilst she sought help. And they signposted her to other bodies, experienced in helping consumers in her position find a resolution. So, I think Vanquis had acted with forbearance and consideration in trying to assist Miss A but Miss A hadn't acted upon the options provided to her.

As I'm not upholding this complaint it's for Miss A to decide whether she wants to accept Vanquis' offer of £25.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 6 January 2024.

Anne Scarr  
**Ombudsman**