

## **The complaint**

Mr D complains that Vanquis Bank Limited applied a default to his loan account after accepting the loan had been lent irresponsibly and after Mr D had maintained his payments on the agreed repayment plan.

## **What happened**

Mr D was provided with a loan by Vanquis. He raised a complaint about the loan being lent irresponsibly and Vanquis upheld this complaint in its final response letter dated 24 May 2023. Mr D says he was told to arrange a repayment plan which he did. He made the three payments of £80 but on the day the repayment plan ended a default was applied to his account.

Mr D says it isn't fair that the default was applied after Vanquis had accepted the loan had been lent irresponsibly and after he had made the payments agreed in his repayment plan. Mr D says the default has caused him issues getting other credit and he wants it removed as well as compensation for the time he has spent dealing with this and the additional costs he has incurred.

Vanquis issued a final response letter dated 25 October 2023. It said that the payment plan set up on Mr D's account was only for three months and given the circumstances this should have been set up for longer. Because of this it offered to pay him £100 compensation and said feedback would be provided to the relevant team. It said the default was applied due to missed payments and that in response to Mr D's irresponsible lending complaint it had said that once the loan balance had been cleared all adverse information, including the default would be removed from Mr D's credit file.

Mr D wasn't satisfied with Vanquis' offer and said it didn't reflect the costs, distress and inconvenience he had been caused by the default being applied to his credit file.

Our investigator didn't uphold this complaint. He said that Vanquis confirmed to Mr D that the default notice had been sent and that if there were still arrears on the account at the end of the repayment plan then a default would be applied. He noted Vanquis had said it would remove the negative information once the balance has been repaid in full which was in line with our approach to irresponsible lending complaints.

Mr D didn't agree with our investigator's view. He said that Vanquis had agreed the default was applied in error and offered compensation for this.

In response to Mr D's comments, our investigator explained that although Vanquis' final response said the repayment plan should've been set-up for longer, it had since told this Service that after listening to the call, it acted based on what Mr D had said and his circumstances at the time. Our investigator noted that on the call when the repayment plan was discussed, Mr D said he would review the repayment plan in three months and Vanquis said that Mr D would need to contact it again before the end of the repayment plan to avoid a default.

As Mr D didn't agree with our investigator's outcome his complaint has been referred to me, an ombudsman, to issue a 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.

Mr D raised a complaint about the loan Vanquis provided to him being lent irresponsibly. Vanquis issued a final response letter dated 24 May 2023 upholding his complaint. It reworked Mr D's account to remove all interest and charges and treated all payments made as though they were payments of the original amount borrowed. As there was an outstanding balance on Mr D's account after the adjustments Vanquis said it would work with Mr D to come to an arrangement for this and that once the balance had been cleared all adverse information regarding the loan would be removed from his credit file.

Mr D contacted Vanquis about setting up a repayment plan and this decision relates to the issues arising from this and the application of the default at the end of the repayment plan.

Vanquis sent Mr D a default notice dated 28 May 2023. This explained that Mr D needed to pay his arrears in full by 15 June 2023 and then continue to make his scheduled repayments to prevent further action being taken, including the possibility of a default recorded.

On 7 June 2023, Mr D discussed setting up a repayment plan. I have listened to the call, and it is explained that a default notice has been issued and the need to clear the arrears on his account. Following an income and expenditure assessment Mr D said he was looking to pay about £80 a month. A repayment plan was agreed for three months for £80 with the payments starting that day and then payments on 7 July and 7 August. Mr D was told that a default wouldn't be registered while he was in the repayment plan but as a default notice had been sent, if arrears remained on his account when the repayment plan ended then the default would be applied. Mr D was told that he would need to contact Vanquis before the end of the repayment plan (7 August). The agent reiterated the need to make the call before the 7 August and Mr D agrees to this.

Based on the default notice and the call, I find that Mr D was provided with the information he needed to be aware of the action he needed to take to prevent a default being recorded on his credit file. As there were still arrears on his account when the repayment plan ended and Mr D hadn't contacted Vanquis before 7 August to discuss a new repayment plan, I cannot say that Vanquis was wrong to apply the default.

Mr D has said that Vanquis accepted that a mistake was made in applying the default. In the final response letter dated 25 October 2023, Vanquis said the repayment plan should have been set up for longer and offered Mr D £100 (if Mr D wishes to discuss this payment he should contact Vanquis directly). However, following this complaint being referred to this service Vanquis has said that the three-month repayment plan wasn't the wrong outcome as at the time of the repayment plan being set up Mr D wasn't up to date with his priority bills and so Vanquis wouldn't have wanted to have put in place a longer term commitment. Taking this into account and having listened to the call on 7 June I find that the action taken at that time by Vanquis was reasonable and as Mr D was made aware that the default would be applied if the arrears weren't cleared or he hadn't been in touch before the end of the repayment plan, I do not find I can say Vanquis has done anything wrong.

I note Mr D's comment about the irresponsible lending complaint being upheld. This sets out that once the balance on his loan has been cleared any adverse information, which would include the default, will be removed from his credit file. This is in line with what I would

expect Vanquis to do and this doesn't prevent adverse information being recorded while the balance is still outstanding.

Based on the above, while I am sorry to hear of the upset this issue has caused and the issues Mr D has experienced in getting a consolidation loan, I do not find I can uphold this complaint.

### **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 Mr D to accept or reject my decision before 1 April 2024.

Jane Archer  
**Ombudsman**