

The complaint

Mr U complains that Vanquis Bank Limited didn't explain how a payment arrangement on his credit card account would be recorded on his credit file.

What happened

Mr U holds a credit card account with Vanquis. In January 2023 he told Vanquis he would be unable to make the minimum payment due that month, and asked for a short term payment arrangement to be put in place. Vanquis agreed to accept payments of £60 per month for six months. The first payment under this arrangement was due on 31 January 2023, but wasn't made in time – so Vanquis ended the arrangement.

A second payment arrangement was made – this time for £30 per month for six months. Mr U said this was due to a change in his household income. In April 2023, Mr U asked to make payments of £10 per month for three months – as he'd incurred some unexpected expenses that had further affected his ability to pay. This was agreed, and payment continued until the arrangement ended in July 2023. Mr U asked Vanquis to extend the arrangement for a further three months. This was also agreed – but because the first payment was missed Vanquis ended the arrangement.

On 29 August 2023, Mr U asked Vanquis to be put on another arrangement – as he still couldn't afford to pay more than £10 per month. Vanquis agreed – but told Mr U this would be a long-term arrangement, as it had already agreed several short-term arrangements. Vanquis also suspended Mr U's use of the account and froze interest and charges.

Mr U continued to make payments of £10 per month. He discovered that Vanquis had reported these payments to credit reference agencies (CRAs) as missed payments. He said he wasn't made aware that the arrangement made in August 2023 would impact his credit file. He was also unhappy with the level of service received during the call in August 2023.

Vanquis said it had correctly reported missed payments. It said that while it had agreed to accept payments of £10 per month, this wasn't a formal arrangement. So, it was required to record that Mr U wasn't making the minimum payment required each month. Vanquis acknowledged that the call handler didn't fully explain the implications of the agreement – and that the overall service received was poor. It also apologised for the delay in responding to the complaint. It offered Mr U a total of £100 for these issues. But it said it wouldn't have offered any further short-term arrangements to Mr U – so the call handler's error didn't ultimately make a difference.

Still unhappy, Mr U referred his complaint to this service. One of our Investigators considered the complaint, and said Vanquis had done enough to put things right. Mr U didn't accept the Investigator's conclusions. He said that while his preference was to pay the balance monthly if possible, he would have borrowed from family and cleared the full balance if aware that his credit file would have been impacted. He said Vanquis should remove all adverse information from his credit file and pay him £200 compensation.

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 can appreciate why Mr U feels that Vanquis has let him down. He was able to make payments on the account through formal payment arrangements without his credit file being impacted – and Vanquis didn't make it clear to him that this was no longer an option. It's not in dispute that Vanquis provided a poor service over the phone – and that it didn't fully explain the implications of entering a long-term agreement. I've considered how this impacted Mr U.

A lender may agree to enter an arrangement if a customer is unable to make the required payments – and this is often on a short-term basis. But an arrangement isn't always a long-term solution, and I'd expect a lender to regularly review whether an arrangement is still suitable and affordable for its customer. Mr U was in a series of short-term arrangements between January and July 2023. Two of these arrangements were cancelled because Mr U didn't make payments as required.

Vanquis assessed Mr U's income and expenditure in July 2023, and concluded that he had a negative income of over £1,000. This was still the case when it spoke to him again in August 2023. Taking this – and the previous arrangements – into account, I don't find it unreasonable that Vanquis wasn't able to offer any further short-term arrangements.

So while Vanquis' call handler didn't explain to Mr U that his new agreement was not a formal arrangement to pay, I'm satisfied that it wouldn't have offered him an alternative that wouldn't have impacted Mr U's credit file. As Mr U wasn't able to make his contractual payments, Vanquis was required to report that information to CRAs.

Mr U says that had he been aware that a formal arrangement wasn't an option, he'd have paid the outstanding balance in full. He said he had a family member who would be willing to pay the remaining amount. I don't doubt that Mr U believes he would have paid the balance – but I need to consider what's more likely than not to have happened had Vanquis not made an error. Mr U hadn't been in a position to make the minimum payment due on the account for a period of eight months when the agreement was put in place – and the account eventually defaulted and was sold to a third-party. I think that if Mr U was in a position to borrow the full outstanding amount from family, he would have done so before that happened. So I'm not persuaded – on the balance of probabilities – that Mr U would have acted differently if made aware that the arrangement would impact his credit file.

So while I agree that Vanquis' call handler should have done more to explain the implications of the agreement to Mr U, I don't think he would have found himself in a significantly different position even if they'd done so. So, I don't find that missed payments were recorded on Mr U's credit file as a result of Vanquis' errors.

It would have come as a disappointment to Mr U to discover that the agreement would not be recorded the same way as his previous arrangements. The service given in the call was also poor – the call handler put Mr U on hold several times, and ought to have done more to discuss the matter with Mr U to ensure he fully understood what he was agreeing to.

Vanquis has also acknowledged that it took too long to respond to Mr U's complaint.

Although Mr U has asked for compensation of £200, I'm satisfied that Vanquis' total offer of £100 fairly reflects the distress and inconvenience caused by its errors. Vanquis' errors caused Mr U some frustration and disappointment – but it isn't ultimately responsible for the

impact to his credit file. Vanquis is yet to pay Mr U this amount – so it now needs to do so.

I also note that Vanquis has now registered a default against the account and has sold it to a third-party. This wasn't part of Mr U's complaint – so I haven't considered it. If Mr U is unhappy with how Vanquis handled his account after it responded to his previous complaint, he can contact Vanquis directly about those issues.

My final decision

Vanquis Bank Limited has already made an offer to pay £100 to settle the complaint, and I think this offer is fair in all of the circumstances. So, my decision is that Vanquis Bank Limited should pay Mr U £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 24 September 2024.

Stephen Billings
Ombudsman