

The complaint

Mr O complains that Vanquis Bank Limited has mishandled his account for a credit card that he holds with it and has unfairly added interest and charges to the balance.

What happened

Mr O held a credit card account with Vanquis. Due to a change in his financial circumstances Mr O was unable to make the contractual monthly payments on the account. And in March 2022, a short-term arrangement was agreed between Vanquis and Mr O that he would make monthly payments of around £17 for six months. However, Mr O actually set up a direct debit to pay £20pm.

In August 2022 Mr O contacted Vanquis at its request via the phone to review his financial position. Mr O explained his circumstances hadn't changed although he had been able to make a payment of £100 earlier that month having received some additional income. Mr O said he hoped his financial circumstances would improve by around November 2022. Vanquis explored with Mr O his income and expenses. A new payment plan was set in place for £25pm to commence near the end of that month with a further review planned for November 2022.

Mr O didn't alter the amount of his direct debit and payments of £20pm were made in August and September 2022. Mr O contacted Vanquis as he was upset to discover that interest had been added to his outstanding account balance. Vanquis informed Mr O that because he had missed payments the new payment plan hadn't been agreed.

In October 2022 Mr O cancelled the direct debit and no further payments were made to the account.

In April 2023 Mr O complained to Vanquis that it had wrongly been adding interest and charges to his account and that it hadn't written to inform him it was defaulting his account. Vanquis investigated his complaint and while doing so discovered that there had been an error made by it on the settings for Mr O's account. This had led to the account failing to generate a due minimum payment each month and so was being reported as being up to date when in fact no payments had been made. Vanquis also confirmed that it hadn't defaulted Mr O's account and it was still active.

Vanquis offered Mr O £75 compensation for the error on the account's setting but didn't uphold his complaint about the interest that had been added. It said that as there had been no payment plan in place from August 2022 it was entitled to add interest in line with the credit card's terms and conditions.

Mr O disagreed with Vanquis' view and complained to this service. He said that he had never agreed to pay £25pm from August 2022 as he couldn't afford that amount. He said that Vanquis wasn't entitled to add interest as it had done to the balance as it had also defaulted his account.

Our investigator didn't uphold Mr O's complaint. She said that she didn't think Vanquis had

acted unfairly in adding the interest from August 2022 as Mr O hadn't kept to the payment plan. She confirmed that the account hadn't been defaulted and was still active although Vanquis had recently sent Mr O a default notice. She advised Mr O to make contact with Vanquis about that.

Mr O disagreed with our investigator's view. He said that there had been a fraudulent payment taken from his credit card payment in or around June 2021 which he had complained to Vanquis about, but it hadn't acted. He said this wasn't an irrelevant matter to his complaint. Mr O said there had been no new arrangement plan in place from August 2022 and due to the number of missed payments then his account was defaulted in law.

As the parties were unable to reach an agreement the complaint was passed to me. I issued a provisional decision along the following lines.

While I could appreciate that Mr O felt the payment which he said had been fraudulent back in June 2021 was an important part of why he believed Vanquis had mishandled his credit card account, this wasn't something I could consider when looking at this complaint.

This was because this service operates under rules which set out what we can and can't consider. These rules include time-limits in which consumers can raise things with us after having first complained to the business. Here Mr O had raised a payment that was deducted from his credit card account in the summer of 2021 with Vanquis. Vanquis hadn't upheld Mr O's complaint about that matter and had sent him its final response letter in July 2021 which set out he had six-months to bring a complaint to this service about that decision if he wished to. As Mr O hadn't, then it would appear this part of his complaint was out of time though he could raise it as a separate matter with us if he wished us to look at whether it could now be considered. But I need to stress that would be a different complaint to this one.

I also couldn't look at this part of his complaint because I couldn't see that Mr O had raised this particular payment as part of his complaint to Vanquis in April 2023. The complaint I was looking at were his concerns that interest had been added to the credit card account which he said was unfair as the account had been defaulted.

It wasn't disputed that Mr O's financial circumstances had changed and he was struggling to make payments. It was also agreed that Mr O had entered in a six-month payment arrangement from March 2022 to pay around £17pm off the balance. During this time interest wasn't added to the balance. I'd also seen that Mr O had arranged to pay £20pm in that time but that was his choice, and the extra amount would of course have reduced the balance faster. This didn't mean his payments were considered to be in credit.

In August 2022, as the six months was coming to an end for the payment arrangement, Vanquis had asked Mr O to make contact to discuss the way forward. I had listened to a recording of that call during which Mr O had been asked about his financial circumstances. It was agreed that a new plan would be put in place that would run from the end of August for three months with a review in November 2022. The agent discussed with Mr O the amount that would be paid, and it was Mr O who had offered to pay £25.00pm. This amount hadn't been suggested by Vanquis. The agent had gone through when payments would be expected and confirmed that the rate was £25.00pm at the end of the call and Mr O responded with "excellent" which I thought was confirmation he had understood what was expected from him. So, I couldn't agree with Mr O that no agreement for a new payment plan was reached between himself and Vanquis.

Mr O hadn't then altered his direct debit amount meaning that £20.00 rather than the required £25.00 was paid in both August and September 2022. In light of this, I couldn't reasonably say that Vanquis hadn't been entitled to treat the payment arrangement as not

having been put in place due to Mr O's failure to pay the agreed amount. I thought Vanquis had been entitled to add interest to the account in those circumstances and this was in line with credit card's terms and conditions.

I'd seen Mr O had cancelled his direct debit from October 2022 and hadn't made any other payments towards the outstanding balance. Mr O said due to the lack of payments his account had been defaulted and Vanquis wasn't entitled to continue to charge interest on the outstanding balance. But I'd seen that Vanquis had only recently sent him the default notice. This was due to the error in the settings on Mr O's account which had incorrectly been showing payments as up to date. There had been no adverse information reported to the credit reference agencies in this period either.

Where payments weren't being made and a customer was in financial difficulty then I would have expected the business to have considered defaulting the account after a reasonable period of time, usually after three payments had been missed. This was because once an account was defaulted, charges and interest aren't added to the outstanding balance, and it doesn't keep increasing. Here, Vanquis had defaulted Mr O's account in October 2023 and the outstanding balance had been £2,234.91.

However, Vanquis had reviewed the date of the default and had offered to backdate it to January 2023 as this would have been the statement date after three months of missed payments. This reduced Mr O's outstanding balance to £1,742.51.

I thought this offer was a fair settlement to the delay in defaulting this account and meant Mr O wasn't facing the additional charges and interest that were added in a period when, without the administrative error having occurred, it was likely his account would have already been defaulted.

So, I intended to partially uphold Mr O's complaint. I thought Vanquis had been entitled to add interest and charges to his account following his failure to keep to the agreed payment plan in August 2022. However, I agreed that Vanquis should have defaulted his account in January 2023 and not October 2023 and that the outstanding balance should therefore be reduced to £1,742.51. I asked Vanquis to implement its offer in respect of backdating the default.

Mr O hasn't agreed with my provisional decision. He says he believes Vanquis has acted unfairly and irresponsibly by increasing the limit on his credit card from £1000 to £1750 without due diligence; that it should have acted faster in respect of the default; that it should have taken action about the fraudulent payment; that it shouldn't have defaulted his account when a complaint was being considered by this service and finally that he did not agree to a payment plan of £25pm from August 2022.

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.

As set out above there are things I can't consider when looking at Mr O's complaint and I have explained why I can't look at his complaint about the earlier alleged fraudulent payment. And I haven't changed my view about that.

Mr O has, in response to my provisional decision, also raised new issues in respect of irresponsibly lending when the credit card's limit was increased and of the account having been unfairly defaulted in October 2023. However, these aren't matters that were contained in Mr O's original complaint to Vanquis and he will therefore need to raise a complaint with it

first about both of these before this service can become involved. So, I'm not going to deal with those points in my final decision.

In respect of the payment plan, as I explained, I have had the benefit of listening to the call and I think it's clear that during the conversation with the agent it was Mr O who offered to increase the monthly payments to £25pw. Mr O says he wouldn't have made that offer as the original payment plan had six months to run but I've seen that this time period was coming to an end when Mr O contacted Vanquis about managing this account.

I also still think that at the end of the call the agent had clearly set out when the payments were expected, and Mr O acknowledged and agreed with this. I'm satisfied that a new payment plan was set up to commence in August 2022. I don't know why Mr O didn't then keep to that but as he didn't then Vanquis was entitled to add interest to the outstanding balance for that period as the agreed payment plan hadn't been kept to by Mr O.

Mr O stopped payments in October 2022 and although Vanquis didn't default his account until October 2023 it has now offered to backdate that to January 2023 which I think is fair. I agree the default should have happened sooner than it did, and it was an admin error by Vanquis which had caused the delay. However, by backdating the default date and removing the interest and any charges added after January 2023 Vanquis has corrected the unfairness that had arisen from that delay. The balance outstanding on Mr O's account is therefore £1,742.51.

I therefore haven't changed my view following my provisional decision and I'm partially upholding Mr O's complaint.

Putting things right

I'm asking Vanquis to do the following:

- Backdate the default to January 2023
- Reduce the outstanding balance on the account from £2,234.91 to £1,742.51

My final decision

For the reasons set out above I'm asking Vanquis Bank Limited to do the following:

- Backdate the default to January 2023
- Reduce the outstanding balance on the account from £2,234.91 to £1,742.51.

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

Jocelyn Griffith
Ombudsman