

The complaint

Mr A is unhappy that Vanquis Bank Limited applied interest and charges to his account and recorded a default on his credit file.

What happened

Mr A holds a credit card account with Vanquis.

In December 2022 Mr A called Vanquis and requested to make reduced payments. Vanquis agreed that Mr A could pay £48.50 per month for 4 months, with the first payment due on 28 December 2022. Mr A had previously cancelled his direct debit instruction and so Vanquis explained to him that he would need to make a manual payment. Vanquis also explained that if Mr A missed a payment under the arrangement, the arrangement would be cancelled.

Mr A failed to make a payment on 28 December 2022. On 6 January 2023 Vanquis cancelled the arrangement.

On 19 January 2023 Vanquis called Mr A about the payment arrangement. Mr A queried why interest on his account hadn't been frozen and Vanquis explained that he had missed the first payment under the arrangement. Mr A told Vanquis he had forgotten to make the first payment. During the call, Vanquis advised Mr A that his income and expenditure needed updating. Mr A said he couldn't do this over the phone, so Vanquis agreed to send an income and expenditure form for him to complete and return. Vanquis said it would place a hold on further calls to Mr A but confirmed that Mr A's account would continue to run as normal until a new arrangement could be put in place.

On 9 February 2023 Mr A called Vanquis and queried why interest hadn't been frozen on his account. Vanquis referred Mr A to the previous call in which it had explained that his account would run as normal until a new payment arrangement could be put in place. Mr A told Vanquis he was in the process of completing the income and expenditure form and said he would send it back that day. Mr A said he would call back to discuss a payment plan. Vanquis reminded Mr A that his account would continue to run as normal until a plan was in place.

Vanquis didn't hear back from Mr A. On 17 February 2023 Vanquis issued a Notice of Default. This required Mr A to bring his account up to date within 28 days or agree a payment arrangement.

On 3 March 2023 Vanquis received correspondence from Mr A in which he said he was seeking advice from Business Debtline, and that they had advised him to ask for his account to be frozen. Vanquis told Mr A it couldn't do this. It sent a further income and expenditure form to Mr A.

On 5 March 2023 Mr A made a payment of £50. This was less than the minimum monthly payment required.

On 9 March 2023 Vanquis received Mr A's income and expenditure form. Mr A had offered

to pay £50 per month. Vanquis reviewed the form and assessed that it was affordable for Mr A to pay £44.20 per month.

On 13 March 2023 Mr A called Vanquis to discuss his income and expenditure form and his offer of payment. Vanquis said the income and expenditure form didn't support the offer put forward by Mr A because his offer of £50 per month appeared to be more than he could afford. Mr A said he would call back at a later date to discuss this.

Vanquis didn't hear back from Mr A. On 20 March 2023 the account was defaulted.

Mr A complained to Vanquis. He said he'd requested breathing space, but Vanquis had ignored the request and defaulted the account. He also said that Vanquis hadn't responded to his income and expenditure form with his proposed payments.

Vanquis didn't uphold the complaint. It said it had defaulted the account because three consecutive payments had been missed. It said it had found no evidence that Mr A requested breathing space.

Mr A remained unhappy and brought his complaint to this service.

Our investigator didn't think Vanquis had acted unfairly. He said that although Vanquis had initially agreed a payment arrangement with Mr A, Mr A had failed to make the first payment which led to the arrangement being cancelled. The investigator said that Vanquis had told Mr A several times that until a new payment arrangement was put in place his account would run as normal, which meant that the minimum monthly payment remained due, and interest, fees and charges would accrue.

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've reviewed the system notes provided by Vanquis and I've taken account of what Mr A has said. I can see that Mr A agreed a payment arrangement with Vanquis in December 2022. Under the arrangement, Mr A was allowed to make reduced payments and interest would be frozen. The first payment under this arrangement was due at the end of December 2022. However, Mr A didn't make the first payment, so the arrangement was cancelled.

Having reviewed what happened, I don't think Vanquis made an error or treated Mr A unfairly when it cancelled the payment arrangement. Based on what I've seen, Vanquis had made Mr A aware that the arrangement would be cancelled if he missed a payment.

I can see that Mr A contacted Vanquis in late January 2023 to ask why interest hadn't been frozen on his account. Vanquis explained to Mr A that the arrangement had been cancelled because he missed his payment, and that the account would be operating normally until a further payment arrangement was agreed. Vanquis told Mr A that in order to consider a further payment arrangement it would require updated details of his income and expenditure.

Based on what I've seen, I don't think Vanquis treated Mr A unfairly by asking him to complete an income and expenditure form. Lenders are required to ensure that any payment arrangements are affordable for the consumer and given that Mr A hadn't managed to make the first payment under the previous arrangement, I think it was reasonable for Vanquis to ask Mr A to provide updated information about his income and expenditure.

I can see that Mr A contacted Vanquis again in early February to ask why interest hadn't

been frozen on his account. Vanquis explained to Mr A that his account was operating as normal until a new payment arrangement was put in place. At this point, Mr A hadn't returned the income and expenditure form, so it wasn't possible for Vanquis to agree a new payment arrangement.

Vanquis issued a Notice of Default on 17 February 2023. I've thought about whether Vanquis acted reasonably when it did this. On balance, I think it did. Mr A had missed three payments by this time. And he hadn't provided updated details of his income and expenditure, despite Vanquis having requested this over a month previously.

I can see that Mr A wrote to Vanquis after the Notice of Default was issued. He told Vanquis he was taking advice from Business Debtline and asked for interest to be frozen. Vanquis explained again to Mr A that it couldn't agree a further payment arrangement until Mr A provided his income and expenditure details.

Mr A has said that he requested breathing space. He's also said that Vanquis ignored that request. I've reviewed all the correspondence, but I can't find any evidence that Mr A requested breathing space. Breathing space is a government scheme which gives you a break from interest, fees and court action for up to 60 days. During the period of breathing space, creditors cannot add interest to your debts, or take enforcement action, or contact you for anything other than regular statements and automatically generated messages. In order to apply for breathing space, a consumer needs to get debt advice from an approved organisation and make a formal application to the insolvency service.

I can't see that Mr A ever provided Vanquis with confirmation that he had made a breathing space application and had been placed in breathing space. So, I can't say that Vanquis made an error by not applying breathing space.

Whilst I appreciate that Mr A asked Vanquis to freeze interest on more than one occasion, I'm satisfied that Vanquis clearly explained to Mr A that his account would operate as normal (which meant interest, fees and charges would continue to accrue) until a further payment arrangement could be agreed. Vanquis also made it clear that it couldn't agree a further payment arrangement until Mr A provided updated income and expenditure details.

I can see that Mr A provided his income and expenditure details on 9 March 2023. Vanquis assessed these and found that the offer put forward by Mr A wasn't affordable for him. I don't think it was unreasonable for Vanquis to refuse to set up a payment arrangement where the evidence showed that it wasn't affordable. The system notes show that Mr A told Vanquis he would call them back to discuss the payment arrangement. The system notes also show that he never called back. In the circumstances, I don't think Vanquis made an error or treated Mr A unfairly by defaulting the account. There was no payment arrangement in place and Mr A hadn't called back to discuss putting an affordable arrangement in place.

Taking all the available information into account, I'm unable to say that Vanquis has acted unfairly or unreasonably by defaulting the account. I won't be asking Vanquis to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 30 August 2024.

Emma Davy
Ombudsman