

The complaint

Mr F complains that Vanquis Bank Limited (“Vanquis”) failed to properly administer a new account opening, allowing a fraudster to use his details which negatively affected his credit standing.

What happened

In late 2023, Mr F became aware that a new credit account had been opened in his name with Vanquis after they sent a letter to him about the overdrawn account. He informed Vanquis that he wasn’t responsible for the application, Mr F then complained to Vanquis as he was concerned they’d failed to carry out sufficient checks before opening the account. At the time, Mr F told Vanquis he had a “protective marker” registered with CIFAS – a fraud prevention organisation. Vanquis should have taken this into account before opening a new credit facility. Mr F was also concerned how Vanquis had used his personal information to open the account.

Vanquis carried out an internal investigation. They updated Mr F with a message on a regular basis that their investigation was ongoing and in February 2024, their internal records show they had identified the account was opened fraudulently and updated CIFAS with (another) protective marker. Vanquis confirmed they’d updated Mr F concerning their investigation and the credit reference agencies had been updated.

Mr F explained that he spoke with Vanquis in February about his complaint and was informed there was no record of it. He re-submitted the complaint and in May 2024, Vanquis wrote to Mr F with the results of his complaint.

Vanquis accepted they’d made some errors, including failing to provide feedback regarding Mr F’s claim and they’d taken too long to investigate it. Vanquis didn’t accept any further failings with their procedures. Vanquis offered Mr F £50 compensation.

Mr F remained unhappy with how Vanquis had dealt with his complaint and brought it to the Financial Ombudsman Service for an independent review. An investigator was assigned to look into the situation and both parties were asked to provide information.

Mr F submitted details of the impact the account had had on his credit file, showing another account provider had drastically reduced his credit limit and another had increased their rates of lending.

Mr F explained that the false application had caused him considerable trouble and he failed to understand how Vanquis had opened an account in his name when he wasn’t a customer of theirs and he had a protective registration with CIFAS which they should have checked prior to opening an account.

Vanquis didn’t respond to several requests from our service and the investigator issued her recommendations based on the information we held at the time. She concluded that Vanquis had failed to take the protective marker into account and their general lack of communication and delay’s had caused Mr F unnecessary distress and inconvenience. The investigator

concluded that Vanquis should pay £300 to recognise the impact this had on him.

Vanquis eventually responded to our requests and provided some details of the situation. They accepted they'd made some errors, including an overly long delay in concluding their investigation (which took over two months to complete).

But, they also stated that:

"According to the information presented to me and the investigation I have reviewed I can see that all processes were followed to prevent fraud however it is impossible to prevent all instances."

Vanquis said that they were going to increase the original £50 offer (which they claimed to have paid to Mr F) by £250 to make the total £300.

The offer was sent to Mr F who declined it. He was doubtful that Vanquis had paid any money to him as they didn't have any of his bank details. He was concerned about their continued lack of response about why they allowed an account to be opened in his name and was worried they'd do it again. He believed the full recommendation for compensation by our service was £350 (£50 + £300) and didn't think that Vanquis's offer of £300 was appropriate. Mr F wanted to understand which parts of his personal information were used to open the account.

As no agreement could be reached, the complaint has now been passed to me for 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.

Having now read the full file of evidence and submissions provided by both parties, it's apparent that Vanquis haven't provided any details concerning the credit application or how they failed to take the CIFAs marker into account. They've been asked several times for this information and are aware the investigator referred to it in her recommendations.

The rules governing complaints are contained in the Financial Conduct Authority DISP rules of which DISP 3.5.9 R says:

The Ombudsman may:

(3)

reach a decision on the basis of what has been supplied and take account of the failure by a party to provide information requested.

So here, I'm taking into account Vanquis's failure to provide evidence relevant to this complaint. It's also relevant to my considerations that I consider Vanquis's delay in conducting their internal investigation unhelpful. Mr F notified them after receiving a demand for payment in late November 2023. They didn't conclude their initial activities until 11 February 2024, some two and a half months later. I think this was an unreasonable delay which Mr F said caused other credit facilities to be reduced or interest rates increased.

The letters from those organisations appear to show that after a review based on changes to Mr F's credit file, they took action. In one case his credit limit was reduced from tens of thousands to several hundred pounds. Given the timing of these changes, it's likely it was

Vanquis's reporting to the credit reference agencies that was at least partly responsible for this.

So, in this complaint I've been unable to review relevant evidence from Vanquis and whilst I acknowledge they eventually concluded that Mr F wasn't responsible, I don't think it's unreasonable to conclude that Vanquis's application process was lacking. This led to an impact on Mr F which he continues to experience.

Given that Mr F has said there was a CIFAS protective registration in his name prior to the application, I fail to see how Vanquis managed to either miss it altogether or failed to carry out additional checks with the applicant. If they had, they may well have realised the application was bogus and prevented the trouble caused to Mr F.

As Vanquis failed to provide certain details I've had to consider what likely happened and given the overall evidence and Vanquis's delays, I'm of the opinion that they acted unreasonably here when they opened an account in Mr F's name. This went on to cause him unnecessary inconvenience and adversely impacted his financial standing with other providers.

So, I've considered the various payments recommended here and think that £500 is a fair and reasonable amount given Vanquis's handling of the application and the impact this had on Mr F, which caused him unnecessary stress and inconvenience.

I wrote to both parties advising them of my intention to increase the compensation and both have accepted the higher amount.

Mr F was also concerned what personal information had been used to open the application. Vanquis have said they're prevented from revealing certain details about the application (because some of them won't belong to Mr F), but Vanquis can tell Mr F the specific personal information they used that relates to him. If Mr F considers it necessary, he's able to approach the Information Commissioner's Office (ICO) to discuss his concerns further.

My final decision

My final decision is that I uphold this complaint against Vanquis Bank Limited and they're now required to pay Mr F a total of £500 for the reasons I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 15 November 2024.

David Perry
Ombudsman