

The complaint

Mr J complains that Vanquis Bank Limited (Vanquis) defaulted his account.

What happened

Mr J had a credit card from Vanquis. The limit was £3,000. In the middle of 2023, he ran into difficulty as he had lost his job, suffered from a difficult relationship break down and was suffering from depression and anxiety.

He asked Vanquis for a payment plan to help him and this was agreed for a six-month period ending in January 2024 – payments were reduced to £34.02 per month.

When this ran out, Mr J asked for a further period of help – as he was still out of work. In the online chats with Vanquis, this was agreed for a further 12 months – with no interest or charges - from 12 February 2024, and with payments of £34.02.

The payment plan was agreed to in the online chats between Vanquis and Mr J.

Vanquis sent Mr J a Notice of Default on 24 April 2024 – this showed a balance of £3,253.12 (limit £3,000). The arrears were £346.48. These needed to be paid by 24 May 2024. Mr J's account was then defaulted on 25 May 2024. The account was terminated on 12 August 2024.

Mr J complained. He said the default was not fair. He said he was told about the missed payments being recorded at the Credit Reference Agencies (CRAs) but not the default. He had made the agreed payments of £34.02. He said the default should be removed and interest and charges refunded.

Vanquis said the default was correct. The firm said Mr J was sent a Notice of Default on 24 April 2024 and as he didn't pay off the arrears, the default was properly registered. So, Vanquis didn't uphold the complaint.

Mr J brought his complaint to us. Our investigator said the default was applied fairly. But Vanquis should refund the interest and charges from 9 January 2024 (when Mr J first asked for the payment plan). And as there had been a delay in putting it in place, pay compensation of £150.

Vanquis agreed with this, but Mr J didn't. He asked that an ombudsman look at his complaint and said there was no communication about there being a default. He felt he was misled.

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 was sorry to hear of the difficulties Mr J has been going through in his life and finances.

Mr J's complaint is about how he was treated by Vanquis when he ran into financial difficulty.

Businesses have an obligation to treat customers in financial difficulty sympathetically and the Financial Conduct Authority (FCA) says that businesses like Vanquis should treat customers in difficulties with forbearance and due consideration. For example, a business

might suspend or waive interest, accept lower payments or defer them, and allow customers more time to repay their debt.

I can see that initially, Vanquis supported Mr J with a payment plan which ran through to 9 January 2024. Reduced payments of £34.02 per month were agreed and paid by Mr J. So – this is what we would've expected the firm to do.

Mr J's complaint is then about what happened in January 2024 – when he asked to renew the plan. I can see from the online chats that:

- The discussion about the extension of the plan took place on 10 January 2024.
- Mr J provided his income and expenditure which showed monthly income of £1,450 and outgoings of £1,415 – so he could just afford the £34.02 monthly payments.
- It was agreed on 14 February 2024 – after Vanquis asked a number of questions of Mr J, which he readily answered.
- On 14 February 2024, Vanquis wrote on the chat *"Your offer of £34.02 has been noted on your account, your first payment was due on 12/02/2024. No further interest or charges will be applied. A Notice of Default will be sent to you once you miss multiple payments, with a default being reported on your credit file if not paid. This default will remain on your credit file for 6 years but will be updated to satisfied once your balance has been paid in full, which may have a positive effect on your credit file. At anytime where there is a balance outstanding, your account may be passed or sold to a third party who will continue to support you with paying down your balance."*

Our investigator said this was evidence to show that Mr J was advised about the possible default. But I don't agree. I say that as the chat refers to a Notice of Default being issued if Mr J 'miss(es) multiple payments' – but this comes after Vanquis said they'd accepted the reduced payments of £34.02.

So – I can see Mr J's point here – he was entitled to think that the 'payments' needed to avoid default were £34.02, rather than the full contractual minimum payments.

I also noted that Vanquis did not send Mr J any confirmation of the payment plan in writing – had the firm done so, then Mr J could not have had cause for complaint.

So, I agree that in this case, Vanquis didn't communicate clearly enough.

But – I need to decide what is best for Mr J here and whether it is in his interest to have the default removed.

The guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error. And let me say – the arrears are built up if the full contractual minimum payments aren't made – not the reduced payments if on a payment plan.

Mr J's income and expenditure as at January 2024 shows he had no room to increase the payments to the contractual minimum. I can also see that he wasn't able to make the agreed payments in June 2024, July 2024, and August 2024. And again no payments were made in September 2024 and October 2024 – so it looks like Mr J is still struggling.

And so even if I directed Vanquis to remove the default (registered in May 2024), it looks very likely that he would not be able to make the minimum monthly payments or bring the account up to date.

And so Mr J would likely default anyway – and at a later date. And as the default stays on Mr J's credit file for six years, it is in his interest to have it dated as early as possible.

Therefore, I am not going to ask Vanquis to remove the original default, and I hope Mr J can see why I've taken that decision.

I agree that Vanquis took too long to agree to the payment plan – between 10 January 2024 and 14 February 2024. And I agree that a payment of compensation of £150 is reasonable for that, plus a refund of any interest and fees from 9 January 2024 up to the date of the expiry of the payment plan.

Putting things right

Vanquis must pay compensation of £150 and refund any interest and charges from 9 January 2024 to the end of the payment plan.

My final decision

I uphold this complaint. Vanquis Bank Limited must:

- Pay compensation of £150 for distress and inconvenience.
- Refund any interest and charges debited to the account from 9 January 2024 to the date of the expiry of the payment plan set up in February 2024.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 10 February 2025.

Martin Lord
Ombudsman