

## **The complaint**

Ms M complains that Vanquis Bank Limited referred her personal loan to a debt collection agency despite previously telling her she could continue to make payments.

## **What happened**

In January 2020, Ms M entered a personal loan agreement with Vanquis. The loan was for £2,000, repayable over 36 monthly payments of £84.39. In March 2020 Ms M asked Vanquis to freeze her payments as her income had been impacted by the Covid-19 pandemic. This was agreed until November 2020. The loan was scheduled to end in September 2023.

Ms M told Vanquis her income still hadn't recovered and asked to make reduced payments. Vanquis agreed a temporary arrangement to accept reduced payments of £37 per month. In April 2022 Ms M resumed making her contractual monthly payments. She received a notice of sum in arrears (NOSIA) in February 2023 and contacted Vanquis to query it. She recalls being told this was a standard notice and that she could ignore it. She received a further NOSIA in July 2023, but says she ignored it due to the advice she was previously given.

Monthly payments continued to be taken until September 2023. No payment was taken in October 2023, which Ms M assumed was due to an error on Vanquis' end – as she was under the impression that she could continue to make regular payments until the balance was cleared. In November 2023 she received a letter from a collection agency asking Ms M for a payment proposal. Ms M made a complaint to Vanquis – as she didn't understand why her loan had been passed to a collection agency when she was making payments as agreed.

Vanquis didn't think it had made an error. It said Ms M's agreement was in arrears of £795.24 – which accrued while she was making reduced payments. It said those arrears were still outstanding when the loan came to an end in September 2023 because she hadn't made a new arrangement to repay them. It said the terms of the loan allowed it to appoint a collection agency to collect the arrears on its behalf.

Still unhappy, Ms M referred her complaint to this service. She said she was never told that she'd need to arrange to pay the arrears, and that she was under the impression that she could continue to make her contractual monthly payments until the balance was cleared. She said she could have repaid the arrears directly to Vanquis if given the option to do so. She wanted Vanquis to recall the loan from the collection agency and allow her to continue making monthly payments to Vanquis directly.

One of our Investigators considered the complaint and upheld it. They said Vanquis was entitled to refer the arrears to a collection agency and didn't think it had made an error by doing so. But they thought Vanquis' overall communication had been poor and resulted in some confusion and loss of expectation for Ms M. They recommended Vanquis pay Ms M £200 to put things right.

Vanquis accepted the Investigator's recommendations, but Ms M didn't. She said Vanquis had unfairly dragged the matter out, and that the entire situation would have been avoided

had it communicated more clearly with her from the beginning. She asked that the complaint be referred to an Ombudsman for a final decision – so it's been passed to me to decide.

Ms M says the loan has now been sold to a third-party business, who registered a default. She also believes the date of the default on her credit file is incorrect. This wasn't part of the complaint Ms M raised with this service – so I haven't commented on it here. If Ms M is unhappy with Vanquis' decision to sell her loan in June 2024, she can contact it directly about that.

In this decision, I've considered the actions of Vanquis and its agents. If Ms M has concerns about the conduct of the third-party business who purchased the debt – including its decision to register a default and the date of that default – she would need to contact that business separately about those concerns.

### **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 understand why Ms M feels let down by Vanquis. She was under the impression that she could continue to make payments to Vanquis until the balance had been paid – and it would have come as a shock to discover that Vanquis had appointed a collection agency to collect the payments instead.

The terms of the loan allow Vanquis to appoint a collection agency to collect payments on its behalf. I've considered whether it did so fairly in this case or if it otherwise made an error, taking all the circumstances into account.

It's clear there's been some confusion between Vanquis and Ms M about what arrangements had been agreed – and the implications of those arrangements. Where evidence is missing, incomplete or contradictory – as it is in this case – I need to consider what's more likely than not to have happened based on the information that is available.

Vanquis says that when entering a temporary arrangement to accept reduced payments, it would have explained that any unpaid amounts would form part of the arrears on the loan. The records it holds from that time are limited – but as several years have passed since the arrangement was made I don't draw any negative inferences from this. Vanquis provided a template of the letter it sends to customers in these circumstances, which includes the following statement:

*“This payment arrangement is accepted on a concession basis, which means any part of your contractual payments that remain unpaid will form part of arrears on your account (and you may receive arrears letters from us in the meantime that we are required to send to you by law).”*

Vanquis also sent loan statements to Ms M, which showed arrears accruing each month while she was making reduced payments. Those statements also included the scheduled end date of the loan. Taking this into account, I'm satisfied Ms M was made reasonably aware that arrears were accruing on the loan while she was making reduced payments.

Ms M recalls being told that the NOSIA issued in February 2023 could be ignored and that she could simply continue making payments without any other action being required from her. While I don't doubt that this was her understanding at the time, I need to consider what more likely than not happened. Vanquis hasn't provided recordings of its calls with Ms M, but it has provided notes from its calls and webchats.

The call note of 6 February 2023 states:

*“PAST – CALLED AS HAD LETTER ABOUT ARREARS DAY 302 PRESENT – CONTACTS CHECKED, ADV WHEN SHE WAS ON ARRANGEMENT THE AMOUNT SHE WASN’T PAYING WOULD GO INTO AN ARREARS BALANCE, ADV WE JUST NEED TO AGREE A NEW ARR TO PREVENT...”*

*PAST – SEE PREV NOTE PRESENT – ADV CH THE LETTER IS A NOTICE OF SUMS, AND THE ARREARS IS THE AMOUNT SHE WASN’T PAYING WHILST ON THE ARR. CH ADV THAT THE WORDING OF THE LETTER SHOULD BE CHANGED, I ADV AS PART OF THE FCA GUIDELINES THE LE...”*

Although the note is incomplete, it's a contemporaneous record of what was said at the time. I appreciate Ms M has queried the reliability of these notes – but I see no reason not to take them into account. I think the note suggests Ms M was told she'd need to enter a new arrangement to repay the arrears that had accrued on the loan. Unfortunately, it's not clear what was said after this or why a new arrangement wasn't made at the time. While Ms M recalls being told she didn't need to do anything, I need to consider that memories can fade with time, and that the call took place more than eight months before she had reason to query it. I also need to consider the likelihood of Vanquis' agent telling Ms M she didn't need to take action to pay the arrears and making a note stating the opposite.

Considering Ms M's recollection as well as these notes, it's plausible that Vanquis' agent told Ms M the NOSIA was a statutory notice, and that she didn't need to worry about it as long as she arranged to pay the arrears. Given Ms M's testimony – and the fact that she didn't enter a new arrangement on the call – I accept it's likely that Vanquis agent could have done more to explain things clearly to her. So, I can understand why Ms M was under the impression that she didn't need to do anything in response to the NOSIAs she received.

Because the arrears were still outstanding when the loan ended – and there was no plan in place to repay them – Vanquis referred the arrears balance to a collection agency. The terms of the loan allowed it to take this action, and I don't find that it did so unfairly. Even if Ms M had an arrangement in place, Vanquis would have been entitled to take this action.

Ms M says she could have easily paid the arrears if given the option to do so. But I can see that after the loan was referred to the collection agency, it asked Ms M to either clear the arrears or provide a repayment proposal. It doesn't appear that she did this, or that she made any further payments on the loan by the time it was sold in June 2024. So, I can't fairly conclude Ms M would have been in a position to pay the arrears when the loan came to an end even if she was aware of Vanquis' intention to appoint a collection agency.

While I don't think Vanquis made an error in referring the arrears balance to a collection agency, it could have done more to communicate clearly with Ms M about what was happening. Although Vanquis issued NOSIAs – as it was required to – I can't see that it informed Ms M that her loan term had come to an end or that it intended to refer the arrears to a collection agency. This meant Ms M was only aware of this when she was contacted by the collection agency. I can see why this would have been stressful for Ms M. Considering Ms M's testimony, I also think it's likely that the way Vanquis communicated things on the phone caused some avoidable confusion.

Vanquis accepts that it could have done more to communicate clearly with Ms M, and has agreed to pay her £200 to recognise this. Taking all of the circumstances into account – including the frustration and stress caused to Ms M – I think this is fair. I don't think Vanquis needs to recall Ms M's loan or take any other action, for the reasons I've explained.

**My final decision**

My final decision is that I uphold Ms M's complaint. I require Vanquis Bank Limited to pay Ms M £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 21 July 2025.

Stephen Billings  
**Ombudsman**