

The complaint

Miss I complains Vanquis Bank Limited have unfairly recorded missed payments on her credit file, while she was on a repayment plan.

What happened

In May 2024, Miss I contacted Vanquis as she was unable to make her minimum monthly repayment towards her credit card, so wanted to close her account.

The agent Miss I spoke to explained they could set up Vanquis Assist, which would mean while she'd no longer be able to use the card, interest and charges would be stopped and Miss I could repay a smaller amount each month. Miss I says the agent confirmed this wouldn't impact her credit file, so she agreed to make a monthly payment of £50.

In September 2024 Vanquis sent Miss I a notice of default, so she called to find out why, as she didn't consider she should be in arrears as a result of the repayment plan. During calls about this Vanquis explained the reduced payments would be recorded as missed payments on Miss I's credit file. As this wasn't what she says she'd been told when the plan was set up, Miss I complained.

Vanquis reviewed matters and agreed Miss I had been given incorrect information when she called in May 2024. But explained as she was paying less than the minimum monthly payment, these would be recorded as missed payments to credit reference agencies (CRA's). To apologise they offered Miss I £30 compensation.

Subsequently, Miss I's account was defaulted in October 2024.

Unhappy, Miss I brought her complaint to our service, saying she'd like her credit file corrected as she'd been told by the agent at Vanquis reduced payments wouldn't impact her credit file.

An Investigator here reviewed matters and concluded that while Vanquis had given Miss I incorrect information, they'd acted fairly in reporting the information on her credit file. Saying Vanquis had sent a letter which detailed the information and when Miss I found out about the issue, she wasn't in a position to repay in any case. However, they considered £150 was fairer compensation for the errors Vanquis had made.

Vanquis accepted our Investigator's view, but Miss I didn't. She said she would have found alternative ways to pay, had she been aware of the impact it would have on her credit file.

With no resolution the complaint has been passed to me to decide.

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.

Firstly, I want to say that I was sorry to hear of the difficulties Miss I has faced. I can

understand this has been a very challenging time for her and I want to reassure Miss I I've thought about this when coming to my decision.

As I understand it, Vanquis Assist is a repayment plan where typically the balance held on a customer's credit card is frozen, and no further interest, fees or charges are incurred. The customer is no longer able to use the card, but pays a monthly amount to pay off the balance over time. Any amount under the minimum monthly repayment would be considered as arrears.

As part of my review, I asked Vanquis further questions about the repayment plan options available to Miss I. They explained Vanquis Assist was a long-term agreement which enables the customer to pay a token amount each month based on their affordability. Whereas other arrangements required larger monthly repayments but would be reflected on a customer's credit file as an arrangement. I've thought about what this would mean in Miss I's case.

It's not in dispute Vanquis made an error here, they've accepted Miss I was given incorrect information when she first spoke to them in May 2024. Vanquis say she should have been told any payment made under the minimum contractual amount would be recorded as a missed payment. And that information needs to be reported to CRA's. I think it's also reasonable to say Vanquis could have explained other options available to her, and explored whether these were suitable. But when a business makes an error, it doesn't necessarily follow that our service requires them to now do what they said. That's because we don't look to make incorrect information true.

Vanquis has told our service Miss I was sent a letter following her call on 21 May 2024, when Vanquis Assist was set up. While I've not seen the original copy of this, Vanquis system notes say "letter sent" and Miss I hasn't disputed she didn't receive this so I accept she's more likely than not seen it. In this letter it said:

"The terms of your agreement remain unchanged and therefore any payments required under your credit agreement which are not paid in full will be reported as missed payments on your credit file. If the arrears become significant, we may send you a notice of default (if we haven't already) and if the arrears quoted in the notice isn't paid then we will register a default status on your credit file and your account will be terminated."

As such, while Vanquis' agent gave Miss I incorrect information on the call, correct information was provided shortly after, and before Miss I made the first reduced payment. So because I'm persuaded this letter was sent by Vanquis, I think they did enough here to correct the error they made.

However, even if Miss I had not received the letter, my decision would remain the same. I say this because lenders, such as Vanquis, are required to report correct information to CRA's.

The Information Commissioner's Office (ICO) provides further clarity on this point. It sets out that if the expected payment is not made by the agreed time and/or for the agreed amount according to the terms and conditions of the account, then the account can be reported as being in arrears. It also sets out that a default may be recorded to show that the relationship [between creditor and debtor] has broken down – usually when the account is three months in arrears, and normally by the time the account is six months in arrears.

The FCA Handbook of rules and guidance includes specialist sourcebooks which indicate to firms in certain sectors how the Handbook applies to their business. CONC (Consumer Credit sourcebook) covers credit-related regulated activities.

CONC 7.1.3(G) (3) explains that 'arrears' are recognised as any shortfall in one or more payment due from a customer under an agreement.

It's accepted that from June 2024 Miss I didn't make the minimum monthly payments due to her account. So even though she had agreed with Vanquis she would pay a reduced monthly amount, as the terms of the account hadn't changed, I think it's reasonable to say her payments had been missed and she was in 'arrears'. Information which Vanquis are required to provide to CRA's, as such I can't say they've acted unfairly in doing so.

I understand Miss I says had she been aware this would impact her credit file she would have found alternative ways to pay. I've thought about this but having listened to the calls Miss I had with Vanquis in September 2024, once she found out the reduced payments were impacting her credit file, she explained she was still unable to make the minimum monthly repayment. She explained it would have been difficult but she would have chosen between necessary bills, such as food or utilities. She's later told this service she could have asked family members for support.

Lenders such as Vanquis are required to support their customers facing financial difficulties and ultimately, based on what Miss I says she would have needed to sacrifice to make the payments, I think it's more likely than not this wouldn't have been possible. And I wouldn't have expected Vanquis to take into account support from family members when considering their customers affordability. Ultimately, this also means while I think Vanquis could have done more by explaining other repayment options to Miss I when she called in May 2024 – I don't think she lost out of a result. I say this because based on what I've seen, I don't think it likely Miss I would have been able to meet higher repayments, as explained above, and her account would have eventually defaulted. By defaulting the account when they did means the default will be removed from Miss I's credit file sooner, which will be of benefit going forward.

Given everything Miss I has said, and that she continued with Vanquis Assist, even after she became aware it was impacting her credit file. I think it's more likely than not she would have still gone ahead in May 2024, even had she been given the correct information on the call.

While I won't be asking Vanquis to remove the information from Miss I's credit file, because lenders are required to report accurate information to CRA's, I do think they made an error by giving incorrect information in the initial call. This understandably has been stressful for Miss I and she was required to contact Vanquis to find out what had happened. In the circumstances I think it's fair Vanquis pays compensation to recognise this, and I think £150 is reasonable for the distress and inconvenience caused.

My final decision

For the reasons I've set out above, I uphold this complaint. To put things right, Vanquis Bank Limited should pay Miss I £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 9 April 2025.

Victoria Cheyne
Ombudsman