DRN-5702333

The complaint

Mr U is unhappy that Vanquis Bank Limited reported a default against his account and sold his debt onto a third-party.

What happened

Mr U held a credit card account with Vanquis. In January 2023, he got in touch with Vanquis to explain that he was unable to maintain his full contractual repayments, so a reduced payment arrangement was agreed. This plan failed however, as Mr U was unable to fully maintain the repayments under the arrangement.

A number of further arrangements were put in place, and subsequently, Mr U's credit file was impacted. So Mr U raised a complaint about the adverse reporting, and this was brought to our service, with a final determination on the matter being issued by an Ombudsman in 2024. The Ombudsman concluded, in summary, that it wasn't unreasonable for Vanquis to have recorded adverse information against Mr U's credit file. But he directed Vanquis to pay Mr U £100 in compensation for poor service they had provided.

During the former complaint, Mr U also voiced concerns that Vanquis had gone on to default his account and sell his debt to a third-party. But this issue had not previously been brought to Vanquis's attention. So, Mr U was advised to raise this issue separately, with Vanquis. Having done so, and, unhappy with their final response, Mr U has now brought this complaint to our service, and this is the matter I'm considering at this time. In summary, he said it was unfair of Vanquis to have defaulted his account and sold his debt, when he was trying to maintain a reduced payment plan.

An investigator considered the matter, but ultimately, didn't think the complaint should be upheld. He said, in summary, that based on the level of arrears reached, and the amount that Mr U was repaying monthly, it wasn't unreasonable for Vanquis to issue Mr U with a default notice when they did.

He said the notice set out clearly what was required in order to avoid a default. And, as the terms of the notice weren't met, it wasn't unreasonable for Vanquis to report a default to credit reference agencies (CRAs), when taking into account the Information Commissioner's Office (ICO) guidance on the reporting of arrears. He also noted that the terms of the account allowed Vanquis to report a default and refer his account to a third-party in situations like this.

Mr U remained unhappy. He said he didn't think it was fair for Vanquis to default his account when he was continuing to make reduced monthly payments. So, the case has been passed to me, an Ombudsman, 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.

Having done so, and while I accept this may be disappointing for Mr U, I've reached the same conclusions as the investigator, and for broadly the same reasons.

At the outset, before addressing the merits of Mr U's complaint here, I think it's important to be clear on exactly what I've considered. Mr U is unhappy about both the initial adverse reporting, and then later, the subsequent default, and sale of his debt to a third-party.
In order to complete my investigation, and gain a holistic view of matters, I've reviewed Mr U's previous complaint for context, and to help gain an understanding of the sequence of events that have led up to his account defaulting. But I make no finding on any matters that were considered as part of Mr U's previous complaint, including whether or not late payment markers, and adverse information should have been reported. That's because this has already been decided, and an Ombudsman's decision is final. So my decision will focus purely on Mr U's complaint about Vanquis reporting a default and selling his debt to a third-party.

It's useful to point out that businesses have a requirement to report accurate information to CRAs. This is set out in the "*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*" guidance issued by the Information Commissioner's Office (ICO).

The guidance sets out that "*Lenders that supply data to the CRAs are required to ensure that the data is accurate, up to date and meets agreed quality standards*".

Section 2 goes onto explain that:

"If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears. If this continues over time, the level of reported arrears will increase, which may result in the lender taking some form of action. This could include notification of their intention to report the account as "defaulted" (see Principle 4 below)."

It goes onto explain that:

"*If you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down. As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears."*

It then lists a number of exceptions to this, including one that states:

"*If an arrangement is agreed (see Principle 3 above), a default would not normally be registered unless the terms of that arrangement are broken."*

Mr U was originally on an arrangement to pay monthly which was set up in January 2023 for £60 per calendar month (pcm). But this failed as Mr U's January payment wasn't made in time.

A second arrangement was made for £30 pcm, but in April 2023, Mr U requested that this drop to just £10 pcm, which was agreed for a period of three months. Payments under this plan were maintained, and in July 2023, Mr U requested this be extended.

Mr U's extension request was approved, but the first payment in July wasn't paid, so the plan failed and Vanquis declined to agree to put any further formal plans in place. And instead, went on to exercise their right in line with the above guidance to default Mr U's account.

Ultimately, I'm satisfied Vanquis' decision not to agree to a formal plan at this stage, and ultimately go onto default Mr U's account was fair, and in line with the relevant guidance. That's because Mr U's account had already reached three payments in arrears, and he had failed to maintain the terms of an arrangement that was put in place.

Mr U's argument is that he entered into another plan, following the above plan failing in July, and that he had maintained payments under this plan, up until the point he was issued with a default notice in November 2023.

I can understand Mr U's point here, and can see why, given he thought he was maintaining his payment arrangement, he thought his account would not default.

But Vanquis have explained that the plan they set up was called a 'Vanquis Assist' plan. This is something that was put in place when other payment arrangements had failed. They showed our service a copy of the letter that was sent to Mr U.

It explains that they are unable to set up an arrangement for Mr U, as the amount he can afford does not meet the contractual amounts he owes, and would not clear his balance in a reasonable timeframe. It explains that interest and charges would instead be frozen, and the use of his card would be suspended to prevent further arrears accruing. They said that while they had allowed Mr U to continue to make payments of £10 pcm, that if his level of arrears became significant, they may still send him a default notice, and if the terms of that notice aren't met, they will report the account as being in default status.

So, while I understand Mr U's argument here, I think Vanquis did enough to make it clear to Mr U that this wasn't a formal plan, but was instead being put in place as his formal plan had failed; and because maintaining some level of payments towards his account was still important. But they did make it clear that despite this agreement, his account may still, ultimately default.

So, while I appreciate this may come as a disappointment to Mr U, I'm satisfied that Vanquis's were entitled to issue Mr U with a default notice in November 2023 and subsequently default his account in February 2024; based on the level of arrears that had built, and due to the fact he had failed to meet the terms of the previous arrangement when he missed his payment in July 2023, and only made a payment of £0.01. And, I'm satisfied the later 'Vanquis assist' plan Mr U was put on, did not interfere with Vanquis' ability to report Mr U's account as in default, when taking into account the ICO's guidance on this matter.

So, for the above reasons, I won't be asking Vanquis to do anything further here.

My final decision

My final decision is that I do not uphold Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 2 October 2025.

Brad McIlquham
Ombudsman