

The complaint

Miss R has complained about the way Vanquis Bank Limited (“Vanquis”) dealt with her credit card account after she fell into financial difficulties.

What happened

All parties are familiar with the background of this complaint so I will only set out a summary. Miss R had a credit card with Vanquis, with a limit of £4,900. Her statement dated 22 October 2024, shows her balance was £5000.95 and notes that Vanquis hadn’t received last month’s payment of £222.57. Miss R’s account continued to fall into arrears after this and Vanquis wrote to her about them.

In early December 2024, Miss R notified Vanquis that she was now unemployed, claiming benefits and seeking employment. She asked for her account to be put on hold and interest to be frozen. She says Vanquis only agreed to waive a late payment fee and referred her to free debt advice agencies.

Miss R also advised Vanquis that she’d suffered a bereavement and health issues which had caused her immense difficulties. But it looks like she remained in contact with Vanquis throughout this period to try to manage the situation. She says she informed Vanquis on a call during the 27 December 2024 that she’d now found employment and was expected to start at the end of January. Vanquis has no record that employment had been mentioned on its call notes.

On 22 January 2025, Vanquis issued a default notice on Miss R’s account, explaining that if she didn’t clear the arrears by the 19 February 2025 (which is 28 days from when the default notice was issued) or agree a repayment arrangement her account would be defaulted.

Miss R subsequently complained that Vanquis hadn’t treated her fairly given her vulnerabilities. On 18 February 2025, (one day before the end of her default notice period) Vanquis issued a final response that it had continually contacted her regarding her account to make payments, but she was unable to clear the arrears. And that the default notice was issued correctly on 22 January 2025 giving her 28 days to bring her account back in order. But in this final response it did, incorrectly, say the 28 days ended on 3 March 2025 rather than 19 February 2025 which was the correct date as set out on her default notice.

On 28 February 2025 Miss R offered Vanquis £100 a month as a payment arrangement and says she believed this would avoid the default that was due to be registered on 3 March 2025. She did notify Vanquis that she felt it had already registered the default incorrectly.

On 3 March 2025, Vanquis again wrote to Miss R confirming the informal payment plan of £100 a month but explaining that as the minimum contractual payment weren’t being made, her credit file would show missed payments, and that if it hadn’t already done so, any default notices could be issued as per the process. Nothing in Vanquis’ call notes or letters indicate that it had agreed that it would not default the account due to the payment plan agreed. Miss R’s February statements shows a payment of over £800 was due on her account that hadn’t

been received. Her debt was eventually sold to a third party debt collection agency in May 2025.

Unhappy, with the way the default had been registered, Miss R decided to refer her complaint to the Financial Ombudsman. She reiterated her earlier points that she didn't think Vanquis had treated her fairly given her financial difficulties and vulnerabilities. That she'd been told the default wouldn't be applied until 3 March 2025, but it applied it in February 2025. That she'd agreed a payment plan, and she thought this would avoid the default notice. She wanted the default removed from her account, her debt retrieved from the third party debt collection agency and compensation for the distress and inconvenience she'd experienced.

One of our investigators looked into it and felt the complaint should be upheld but only in part. They said that clearly Miss R was experiencing difficulty and notified Vanquis of this on 3 December 2024. Vanquis had also sent Miss R a letter explaining that she was in persistent debt since June 2023 and her account showed it was deteriorating. They felt Vanquis should have suspended interest and charges on the account on 3 December 2024, when her account had been in arrears for several months, and she'd said she was unemployed. But they felt that Vanquis had acted in line with its process in registering the default, and while it made an error in its final response letter regarding the default date, Miss R couldn't have cleared the arrears by this time in any event so it's unlikely this would have prevented the default.

Vanquis agreed to remove any interest charges on the account since 3 December 2024 and said it would arrange this after Miss R accepted the findings and the complaint was resolved.

Miss R replied providing her current account bank statements (with a different provider) that, while her account had a debit balance prior to 3 March 2025, on 3 March 2025, she received two significant credits into her bank account amounting to over £13,000. She said that if she'd known the payment plan of £100 wouldn't have prevented the default being registered, she would have cleared her arrears on 3 March 2025.

Our investigator asked Miss R to explain where these credits had come from and if they were earmarked for a specific purpose. They also asked Miss R to explain why they hadn't been used to clear the arrears if they were available for her to freely use to clear the arrears. Miss R refused to explain where the money had come from but reiterated that if she'd known the payment plan of £100 wouldn't avoid the default notice, she would have cleared the arrears. She did not explain why she didn't clear the arrears if these amounts were available for her to use at the time.

Our investigator's view remain unchanged. They explained that they felt Vanquis had done enough to show Miss R that her account was in arrears, and if she didn't clear them her account would be defaulted. And while Miss R agreed a payment plan of £100 a month, nothing they'd seen suggested Vanquis had agreed it would defer/cancel the registering of her default notice due to this. Additionally, as Miss R had not cleared the arrears on 3 March 2025, even though this was the incorrect date, it's likely that the default would still have been registered on this date. So as things weren't resolved 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'd like to reassure Miss R, that I have considered all her concerns carefully, but I will only be dealing with the most salient parts of the complaint in this decision as I'm required to

decide matters quickly and with minimum formality. Our rules allow us to do this. So, while I may not comment on everything she's said, I have looked through and considered her submissions.

It may be helpful to set out that Vanquis is obligated to record information about its consumer's account which reflects the true conduct of the account. So as long as the information has been correctly recorded, this service generally wouldn't direct this information to be removed even if consumers have good reason not to have made the payments. So, while we expect businesses to treat consumers fairly, they are obligated to record missed payments and default notices correctly - even if consumers have experienced genuine difficulty. They're obligated to accurately record the account conduct.

Registering the default

I think it's clear that Miss R was experiencing genuine financial difficulty as well as coping with her health issues and the difficulties the bereavement she mentioned caused her. I don't doubt this would have been an incredibly stressful period for her and I sympathise with the difficulties faced. I can also see she maintained regular dialogue with Vanquis and simply couldn't make the contractual payments due. Miss R has also mentioned she has a health issue, and her mental acuity varies from day to day.

I've thought about whether Vanquis acted unreasonably by choosing to default Miss R's account and based on what I've seen, like our investigator, I don't think it has acted unfairly.

Miss R says she found employment on the 27 December 2024 and believes she informed Vanquis of this during a call. The call recording is no longer available, but Vanquis' notes do not show this was mentioned during the call. Vanquis' notes from this date do show she'd said she could only afford £1 a month so it referred her again to a free debt advice agency. Miss R did email Vanquis on the 7 January 2025, to inform it that she was claiming benefits and "looking for new work". And on 9 January 2025, she told Vanquis that she was "actively seeking employment". It wasn't until the 12 January that she emailed Vanquis to notify it that she'd found employment and would be starting on the 27 January 2025.

So, this means by January 2025, Miss R's account had received no payments and had been in arrears for a significant amount of time, with no real progress being made. Additionally, she had been in persistent debt since June 2023. While she'd only just found employment it would be sometime until she received her first salary, so the position of her account was simply deteriorating and the arrears on her account were not insignificant. I sympathise with the impact Miss R's health issues had on her, but her arrears and difficulties with this account were long standing on not a one off problem. So, I don't think Vanquis acted unfairly by deciding to default the account at this time.

The deadline for Miss R to avoid the default was 19 February 2025 which was 28 days from when the default notice was issued, and this as clearly noted on her default notice. And while she's shown that she received some large credits into her account on 3 March 2025, she did not have the funds to clear the arrears by this end date of February 2025. I appreciate Vanquis made an error on its final response date (which I will address further below), but Miss R needs to be put in the position she would have been in had the error not been made. So had Vanquis done things correctly and noted the end date on the final response as 19 February 2025, she wouldn't have been able to clear the arrears, and the default would still have been registered.

Additionally, I think Vanquis did enough to notify Miss R that she needed to clear the arrears on her account to avoid the default. This is either done in one payment or a payment plan being agreed where the arrears are cleared by the deadline given in the notice. This is in line

with normal industry practice with these sorts of issues. Miss R's payment plan of £100 a month would not have been sufficient to clear the arrears on the account by the end of the notice period. Even in its arrears letter in December 2024, the arrears were already over £400 so had Vanquis suspended interest earlier, Miss R still would not have been able to avoid the default.

I can see Vanquis did write to Miss R following the payment plan of £100 a month being agreed on 3 March 2025, explaining that her contractual obligations remained and any missed payments would be recorded, and that it was still within its right to issue any default notices, (if not already done so). In Miss R's case the default notice had already been issued. It's likely that, because the account had already been defaulted, it was willing to accept lower payment amounts which is possible due to the flexibility offered after accounts are defaulted. But nothing I've seen suggests Miss R was assured that this payment plan would avoid the default.

I appreciate the default notice says a payment plan can be agreed to avoid the default, but immediately before that it says that any arrears must be cleared to avoid the default. That means any payment plans agreed must clear the arrears by the end of the default notice period of 28 days. And £100 a month would not have achieved this even if I held Vanquis to the later date of 3 March 2025.

While I fully believe Miss R was struggling with her finances, at this time, she simply didn't have enough funds to bring the account back in order, despite her best efforts to avoid the default. So, I don't think the Vanquis acted unfairly by defaulting the account and I don't think Miss R could have avoided it by the end date 19 February 2025, as she didn't have sufficient funds to clear the arrears by the end of the notice period in the default notice.

While we expect businesses to treat consumers sympathetically, and assist them with their debt, where there is such a significant debt owed, and the account is in arrears by such considerable sums, I don't think it's unreasonable for a business to default an account. This prevents further interest and charges being applied to the account and enables businesses to accept substantially smaller payment amounts providing consumers who are struggling with their debt with more flexibility. While I appreciate the long term effects on a consumers credit file, where consumers account are in arrears for so long, with little progress being made, it's not unreasonable for a business to take this action.

Has Vanquis caused loss in any other way?

Miss R is correct that the final response to her complaint did say Miss R has until 3 March 2025 to take necessary steps to avoid the default. She said that if Vanquis had made it clear to her that the £100 a month would not avoid the default, she would have cleared the arrears, and she had the funds available to do that from 3 March 2025. She said she would have tried to make additional payments, but her payment application (app) wasn't working.

I have to bear in mind, that Miss R had already been told that the deadline for her to clear her arrears was 19 February 2025, which is 28 days from 22 January 2025. And additionally, her final response also said that she had 28 days from when the default notice was given on 22 January 2025 – which is around a month. So, it's clear to me that the date of 3 March 2025 on the final response (which is significantly longer than 28 days from 22 January 2025) was an administrative error rather than a new date given to Miss R.

But even if I am to find that Miss R relied on this information, I still don't agree that it's fair to ask Vanquis to remove the default and I'll explain why. As explained above, Miss R is entitled to be put in the position she would have been in had the error not been made. This

means she should have been told an end date of 19 February 2025, and she didn't have enough money to clear the arrears by this date. So, her position remains unchanged.

Additionally, by 3 March 2025, Miss R had repeatedly failed to make her contractual payments in line with her credit agreement, had made payment proposal of £1 a month, and told Vanquis that she was seeking employment, and although she'd eventually found employment, it would still be some time until she was paid and was able to clear her arrears. She was not conducting her account in line with her credit agreement for many months prior to this date. I think it was fair for Vanquis to act on this information. She also did not tell Vanquis she was expecting and had been paid these significant sums she's now raised.

While Miss R has shown she received some large funds into her current account on 3 March 2025, she hasn't explained where this came from or what she intended to use it for. She says it was available for her to clear the arrears but hasn't explained why she didn't clear the arrears, when she was contractually obligated to do this. Additionally, even if she had tried to clear the arrears on this date, the default notice clearly says that the arrears have to be cleared in good time before the final date. Even if she'd tried to clear the balance on 3 March 2025, when she received these sums into her account, any payments into her credit card account could take between 24 hours to three days to clear. I have to bear in mind Miss R's app wasn't working, and there are cut off times for direct transfers to be made the same day.

Overall, I haven't seen anything that suggests Vanquis told Miss R that the £100 a month payment plan would avoid the default, given how substantial her arrears were by this point and that plan wouldn't be enough to clear such arrears. And, I am still of the view, that while there does seem to be an administrative error on the part of Vanquis setting the final date in the final response letter as 3 March 2025, I think it was clear this was an error. This letter also said the default notice sent was valid – and this had the correct date of 19 February 2025.

Even if I did hold Vanquis to the later date, I don't think it's likely Miss R would have been able to clear the arrears by the 3 March 2025 for the reasons mentioned above. Additionally, as Miss R didn't, in any event clear the arrears by this date despite being contractually obligated to, I think this shows she likely would have done the same thing. Miss R hasn't explained where such significant sums came from and, while she says, these weren't earmarked for a specific purpose, if there were truly available for her to use as she pleases, I would have expected her to clear arrears that had grown to a significant amount by this point. So, I'm not persuaded by the evidence available to me, that I could reasonably conclude Miss R could have avoided the default but for the error of Vanquis.

I would add that Miss R has also mentioned that the banking app wasn't working. While the Vanquis app may not have been working, many of her arrears letters and statements all set out the different ways of making payments into her account such as online banking, bank transfer and post. So, I also don't think this should have prevented Miss R from making payments if she was able to.

I appreciate that when consumers are experiencing financial difficulty and having to deal with debts that are in arrears, it can be extremely stressful. And I can see Miss R has tried to make payment when she's been able to and she's been engaged with Vanquis. But while I sympathise with the lasting impact the adverse information on Miss R's credit file may have on her, I don't find Vanquis has acted incorrectly or unfairly in recording this, so I don't think it's fair for me to ask it to remove this.

Interest being applied to the account

I agree with our investigator that while Vanquis waived a late payment fee and referred Miss R to free debt advice agencies, it continued to apply interest at a time her account was above its credit limit, not receiving any payments to it, when she had informed it of her financial situation and vulnerabilities and when Vanquis had already recognised that she'd been in persistent debt for a considerable amount of time. I agree with our investigator, that it ought to have looked into suspending interest on her account sooner than it did, but I don't think it was wrong to register the default. As it's now agreed to arrange for any interest and charges from 3 December 2024 to be removed, I don't think it needs to do any more than that in relation to this issue.

Summary

I don't think the evidence supports the conclusion that Vanquis acted unfairly when it defaulted Miss R's account or that the default could have been avoided but for its error on the final response letter. So, I find no grounds to ask it to remove the adverse information on Miss R's credit file or ask it to retrieve the debt from the third party debt collection agency. I do however agree, that bearing in mind Miss R's specific circumstances and vulnerabilities, Vanquis ought to have considered suspending interest and charges on Miss R's account sooner than it did and this should be put right.

Finally, I would add that all financial businesses should treat consumers fairly, communicate with them clearly and support them with vulnerabilities. So, going forward Miss R can discuss any different needs she has with the financial businesses she is dealing with if required.

Putting things right

As now offered by Vanquis, it must arrange for any interest and charges that were added to Miss R's credit account after 3 December 2024 to be removed.

My final decision

For the reasons given above, I uphold this complaint in part. Vanquis Bank Limited must put things right in the way I've set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 1 April 2026.

Asma Begum
Ombudsman