

complaint

Mr J complains that Vanquis Bank Limited wrongly reinstated a Repayment Option Plan on his account and unfairly applied charges and interest when he was in financial difficulties.

background

Mr J was having difficulties with his repayments and he contacted Vanquis to arrange a repayment plan. Vanquis agreed to accept £40 a month for three months, during which interest would be reduced and charges stopped. The arrangement began from May 2012.

During the same call, Mr J explained that he wanted to cancel the Repayment Option Plan on his account. Vanquis told him he could have the plan at an introductory rate of 1p per £100 for the next three months, after which the monthly cost would go back to the usual rate.

Mr J says that Vanquis did not freeze interest and charges after the three-month period expired, even though it knew he was in financial difficulty. He also says that Vanquis reinstated the Repayment Option Plan at the full cost, when it should have realised from the earlier discussions that he did not want it and could not afford it.

Vanquis did not accept that the Repayment Option Plan was inappropriate in the circumstances. It said that the charges and interest applied to Mr J's account were in accordance with the terms and conditions and happened because, having sent a reminder that the arrangement was about to finish, it was unable to get him to contact it to discuss the debt. As a gesture of goodwill, it refunded the default charges applied in the previous three months.

An adjudicator investigated the complaint. In his view, the circumstances here were such that Vanquis should have cancelled the Repayment Option Plan when Mr J asked it to do so, since it was not affordable (Mr J's account was already over its limit) and was of doubtful benefit to Mr J in his circumstances. He did not, however, consider that Vanquis was obliged to freeze charges and interest on Mr J's account, given that he did not contact Vanquis once the three-month arrangement came to an end.

Accordingly, the adjudicator considered that Mr J's complaint should be upheld in part. He recommended that Vanquis refund the Repayment Option Plan monthly charges made to Mr J's account from May 2012 to the present.

Mr J was broadly content with the adjudicator's findings, but Vanquis was not. It said, in summary:

- The plan is an optional account feature that can be activated in certain financial circumstances. It does not just cover unemployment; a range of situations are addressed.
- In this case, Mr J might reasonably have had some future benefit from the plan, even if it did not assist him at the time he called to discuss a payment arrangement.
- It was not suggested that Mr J's financial difficulties were expected to be long-term; they could have been temporary. As Mr J relied on commission, his earning would fluctuate in any event.

- Mr J did not say that his difficulties would extend beyond the three-month period. Overall, there was no reason why the plan should not have been continued.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have taken careful account of what Vanquis says about its rationale for offering Mr J the special deal to keep the Repayment Option Plan. The fact is that, when Mr J contacted it, he was already over his limit and was ringing to ask about a repayment plan because he needed to reduce his outgoings.

In those circumstances, I am not persuaded that it was reasonable for Vanquis to act as it did in relation to the Repayment Option Plan. There are, theoretically, circumstances in which Mr J may be eligible to activate the plan in the future, but the fact remains that he could not afford it when he telephoned Vanquis and made that clear. So, when the monthly charge for the Repayment Option Plan returned to its normal level, Vanquis must have realised that this would make the position on the account even worse.

In all the circumstances and for essentially the same reasons, I agree with the adjudicator's conclusions on this complaint and with his recommended level of redress. I have clarified the calculation of the redress.

my final decision

My final decision is that I uphold this complaint in part and I direct Vanquis Bank Limited to refund Mr J's account with the monthly charges made in respect of the Repayment Option Plan from May 2012 to the date of settlement, backdated in each case for the purpose of account interest and charges to the dates on which they were originally applied.

Jane Hingston
ombudsman