

complaint

Mr S complains that his credit card provider, Vanquis Bank Limited, increased the outstanding balance on his card while he was on a repayment plan, and that they placed a default marker on his credit file.

background

Mr S opened a credit card account with Vanquis in July 2012. Alongside the card Mr S was sold a Repayment Option Plan (ROP) – a credit management tool.

In April 2015 Mr S exceeded his credit limit and throughout the following months remained over his limit even though he stopped using the card for new spending. He missed a couple of monthly payments but managed to bring the account within its limit by the beginning of August. He missed a further payment in September 2015 and Vanquis made efforts to get in touch with him to talk about what he could afford to pay.

On 2 October 2015 Mr S responded to Vanquis explaining that he'd been struggling financially because of some unexpected expenditure but would be "*back to normal next month*". On 16 November 2015 Mr S told Vanquis he could afford to pay £100 over the next few months "*then I'll be back in a better financial position to make normal payments*". Vanquis enquired further about his situation and Mr S explained that he'd had to take some unpaid leave to deal with an emergency and pay out to get his car repaired.

In response, Vanquis set up a short-term arrangement whereby Mr S would pay £100 per month for 3 months, and the interest would be fixed at 1.99% for that period. Mr S managed to make two payments of £100; one at the end of November and one at the end of December. The interest remained at 1.99% until 7 February 2016.

Mr S made no payments towards the account in 2016 and Vanquis made numerous attempts to contact him in February, March and April 2016. They wrote to him explaining what would happen if he continued to miss repayments, and on 14 April 2016 they issued a formal Notice of Default to Mr S.

In May 2016 Vanquis wrote to Mr S saying that his account was still accruing interest and charges, but that they could close his account and update his credit file if he would make contact to agree an affordable repayment plan. On 21 May 2016 Vanquis wrote again saying their specialists were available to help and could, "*offer an interest free plan for £56.96 per month or another affordable amount*".

Mr S replied on 24 May 2016 explaining that he had "*unmanageable debt escalating*". After some further communication, during which Mr S confirmed he was up-to-date with his priority bills, Vanquis proposed a repayment plan of £229.37 a month for 9 months. This plan would have allowed Mr S to use his card again at the end of the arrangement. As no agreement was reached Mr S was advised to contact a third-party debt collector to make payments to the account.

The last time Vanquis added interest or charges to Mr S's account was on 8 May 2016. The balance of the account at that point was £4,101.13.

Vanquis reported Mr S's default to credit reference agencies in August 2016.

In October 2018 Mr S complained to Vanquis about his outstanding balance – he didn't think it should have increased to £4,101.13 because he'd been on a "*repayment plan*".

In November 2018 Vanquis responded. They explained the outstanding debt had increased because interest and charges had been applied in line with the account terms and conditions until May 2016. They also said they were satisfied the default had been applied correctly.

Mr S asked us to get involved in early 2019. He said he was unhappy with the charges Vanquis had applied to his account, and wanted any negative information removed from his credit file.

Mr S also complained about the sale of the ROP and what he'd paid for it. I issued a jurisdiction decision on 3 February 2021 which explained that that part of Mr S's complaint had been brought to us too late. So, I won't be addressing that in this decision. I'll only be addressing how Vanquis treated Mr S when he fell behind with his repayments.

On 26 September 2019 Vanquis sold Mr S's account to a third party. In January 2021 the outstanding balance was reduced to £3,484.79. This was due to Vanquis refunding the interest charged on the amount Mr S had paid for the ROP, following a Financial Conduct Authority (FCA) investigation.

Our investigator's view

Our investigator didn't uphold Mr S's complaint. He was satisfied Vanquis had applied interest and charges in line with the terms and conditions of the account. He also said that once Vanquis were on notice Mr S was experiencing financial difficulties, they'd treated him with forbearance and due consideration as they were obliged to do.

He didn't think Vanquis should have spotted Mr S's difficulties any earlier because throughout the latter part of 2015 Mr S had been clear his circumstances were only temporary. He noted that in May 2016, when Mr S made it clear he wasn't managing, Vanquis proposed a repayment plan and froze all fees and charges. He also said Vanquis had given Mr S appropriate notice of the default.

Mr S didn't provide any further evidence or comment, but he didn't agree with the outcome. So, the complaint has been passed to me to decide.

my findings

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, I've reached the same outcome as our investigator, and for broadly the same reasons. I don't uphold Mr S's complaint.

The rules that apply here say that lenders such as Vanquis should treat consumers in default or arrears with "*forbearance and due consideration*". What this means in practice is that lenders should consider the borrower's circumstances, respond "*sympathetically and positively*" and, overall, treat them fairly.

I agree with the investigator's view that Vanquis met that standard in Mr S's case. I think Vanquis spotted signs that Mr S might have been struggling in 2015 and made efforts to listen to Mr S and get a clear understanding of his situation. I've seen evidence of the

numerous attempts they made to contact him. But I don't think Mr S was forthcoming or clear with Vanquis about his financial situation until May 2016. And by that time, he'd exceeded his credit limit, missed several monthly repayments and hadn't been responding to Vanquis's attempts to get in touch.

Once Mr S had been clear about his situation, I can see that Vanquis offered Mr S a repayment plan and ceased applying charges or interest to the account. Shortly prior to this they'd also sent Mr S a notice of default which included information about free debt advice.

In summary, I'm satisfied that Vanquis were entitled to apply interest and charges to Mr S's account, in line with the terms and conditions, until they became aware of his financial difficulties in May 2016. I also find that they acted fairly and reasonably towards Mr S once they became aware of his situation by ceasing to apply charges and interest, and offering him repayment plan options.

Aside from his concerns about the outstanding balance, Mr S is unhappy that Vanquis applied a default to his credit file. But I don't think it was unfair of Vanquis to take that step in the circumstances. When a consumer is more than three months behind with their repayments it's not usually unreasonable for the lender to record an account in default. Vanquis have shown us that they sent Mr S the appropriate notice about what would happen if he didn't bring his account up to date. So, I can't say that Vanquis did anything wrong here.

my final decision

For the reasons I've explained I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 April 2021.

Beth Wilcox
Ombudsman