

## Complaint

Miss H is unhappy that Vanquis Bank Limited won't agree to write off an outstanding debt she owes.

## Background

Miss H has an outstanding debt to Vanquis which she says she can no longer afford to pay. At the time she referred her complaint to us, it was a little under £1,500. Her health declined significantly many years ago. The parties are aware of the details of her health difficulties, so I won't set them out in full here. They were sufficiently serious that she was forced to stop working and she suffered significant financial hardship as a result.

In 2014, she applied for early access to her occupational pension on the grounds that she wouldn't be able to return to her job. A report was prepared in response to her request that, amongst other things, said:

*"It appears likely that Miss H's condition has given rise to a substantial and long-term adverse effect on normal day to day activities ...*

*[...]*

*According to the psychiatrist ... she is not likely to be able to return to work in the future."*

*[...]*

*Miss H has recognised medical conditions that prevent her from undertaking any work at present. The condition is not likely to improve spontaneously. The medical evidence suggests that future treatment is not likely to change the circumstances significantly and she is likely to remain permanently incapable of undertaking her previous role due to ill health."*

At the time of writing, she is in receipt of Personal Independence Payment (PIP) and the occupational pension I referred to above. She approached Vanquis and asked it what help it could offer given that her income had now significantly reduced. In May 2018, it agreed to accept a repayment of £5 per month towards the outstanding debt. In February 2019, it reduced this to £1 a month and has also agreed to suspend all interest and charges. Despite this significant reduction, her most recent Income and Expenditure questionnaire shows that she has a disposal income of a little over £20 per month.

She has asked Vanquis to write off the outstanding debt. In a letter to Vanquis, she set out in detail that the outstanding debts have had an adverse effect on her mental health saying that they cause *"additional stress, anxiety and depression which exacerbate a low mood and make it almost impossible to function ... My finances preoccupy my thoughts and I am constantly concerned about money."*

Vanquis said it wasn't willing to do write off the debt. Miss H was unhappy with this and so she referred the complaint to this service. It was looked at by an investigator who upheld it. The investigator concluded that there was no realistic prospect that Vanquis would ever be able to recover the debt at a repayment of £1 per month. She was also concerned that Miss

H told us the continued existence of the debt is a source of anxiety for her. The investigator felt that the fair and reasonable course of action was for Vanquis to simply write off the debt.

Vanquis disagreed with the investigator's opinion. It pointed out that it had arranged for a Debt and Mental Health Form to be completed for Miss H by a mental health nurse. This form sets out the details of Miss H's mental health difficulties and what steps Vanquis might take in response. On that form, it was recorded that Miss H's mental health difficulties do not affect her ability to manage her money. Vanquis therefore didn't think it had done anything wrong in declining to write off the debt. Because Vanquis disagreed with the investigator's opinion, the complaint has been passed to me to come to a final decision

## **Findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And having done so, I've come to the same overall conclusion as the investigator and for broadly the same reasons.

The relevant rules require Vanquis to treat customers in financial difficulties with forbearance and due consideration. And where a customer suffers with a mental health condition that is long-term, shows no real likelihood of improvement and where it's highly unlikely that the person will be able to repay the debt, I consider it to be good industry practice for a firm like Vanquis to consider whether writing off the debt in full is the appropriate thing to do.

From the information I've seen, it's unlikely Miss H's income will return to its prior level in the future. And Miss H has told us that the continued existence of the debt is a source of anxiety for her. Vanquis has temporarily agreed to accept a reduced payment - but it's understandable that she'd worry about the possibility of that situation changing. As a result, it's foreseeable that future contact from Vanquis (for example, to review whether her monthly repayments are still set at an affordable level) risks making her anxiety levels worse.

The Debt and Mental Health Evidence form does say that Miss H's mental health condition doesn't affect her ability to manage her money. But that doesn't mean that she's not affected in the way she's described – i.e. the debt hanging over her is a cause of stress. The form also doesn't cover the fact that Miss H's mental health difficulties are one of the primary factors preventing her from working – a situation which the bulk of the evidence she's supplied suggests is unlikely to change in the future.

These factors, in addition to the fact that Vanquis is unlikely to ever successfully recover the debt, persuades me that the fair and reasonable thing to do is to write off the debt.

## **Final decision**

For the reasons I've set out above, I uphold this complaint.

Vanquis Bank Limited should now write off Miss H's outstanding debt and write to her to explain that it has done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 13 December 2020.

James Kimmitt  
**ombudsman**

