

The complaint

Mr B complains that Vanquis Bank Limited only defaulted his account in March 2019, although he told it about his financial difficulties in 2015 and agreed a payment plan then. He said that all the other companies he owed money to applied defaults back in 2015.

What happened

Mr B told us that he'd got into financial difficulties in 2015, and worked with a debt management company to set up payment plans on his debts, including with Vanquis. It didn't apply a default at the time. He was very concerned that Vanquis had applied a default more recently. Defaults for all his other debts will be taken off his credit file in 2021, but this one will stay on his file until 2025. Mr B set out the impact this would have on him.

Vanquis said if someone enters into an agreed payment plan with it, it won't usually apply a default at that stage. It didn't think it had done anything wrong, either by not applying a default in 2015 or by applying the default now. It wouldn't change the date of Mr B's default.

Our investigator upheld this complaint. He thought it was clear when Mr B entered into a debt payment plan in 2015, that he couldn't keep up with his monthly payments. Our investigator thought it would have been fair for Vanquis to apply the default then, so he said Vanquis should backdate the default to May 2015 now. And he said Vanquis should pay Mr B £100 in compensation to make up for the stress of having the default applied now.

Vanquis didn't agree. It said Mr B wasn't in arrears when he agreed a payment plan with it. It thought it couldn't apply a default until Mr B was three months in arrears on the original agreement. It said that the plan Mr B entered into would have meant he would pay back his debt in less than six years, so it thought it had done the right thing then by accepting the token amount, and putting Mr B onto a payment plan without applying a default.

Because Vanquis didn't agree, this case was passed to me for a final decision.

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. I think this complaint should be upheld.

Vanquis pointed us to some guidance put together by the credit industry on how defaults will be applied. That talks about whether defaults should be applied when a payment plan is agreed. Vanquis seems to be reading this to say that it can only apply a default if payments are anticipated to last for more than six years. But that's not quite what the guidance says. It gives repayments lasting over six years as an example of when a token payment might not be acceptable. I don't think it prevents Vanquis from recording a default where, as here, payments are likely to go on for around six years. And I don't think the agreed repayment amount is the only factor to consider here.

I think it's important to look at Mr B's circumstances in 2015 as a whole. He had a number of other debts. I'd expect Vanquis to be aware that Mr B had wider financial difficulties, because he was working with a debt management company. At that time, Vanquis thought it would take Mr B around six years to clear his debt. And I also think it's important to note that Vanquis' records show Mr B made no payments in March, May or June 2015. In those circumstances, I think that the more reasonable action for Vanquis to take in 2015 was to move to default Mr B's account.

Because Mr B made no payment for March or May 2015 and paid only £3.91 in April, and taking account of Mr B's wider circumstances, I think Vanquis should have applied a default in May 2015, as our investigator suggested. So I'll ask Vanquis to amend Mr B's credit record, to show the default was applied in May 2015.

Mr B told us about the stress that he'd been caused by this. He had felt that he was coming to the end of his debt problems, after carefully paying down those debts for a number of years, and this recent default would have upset his future plans for him and his family. So I agree with our investigator that Vanquis should also pay Mr B some compensation, and I also agree that £100 is the appropriate amount. I think that, and the change to his credit file, would provide a fair and reasonable outcome to this case.

My final decision

My final decision is that Vanquis Bank Limited should amend Mr B's credit file so that his account shows as defaulted in May 2015, and it should pay Mr B £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 April 2020.

Esther Absalom-Gough
Ombudsman