

The complaint

Miss J complains that Vanquis Bank Limited unfairly defaulted a credit card account she held with it and reported this to the credit reference agencies.

What happened

Miss J held a credit card account with Vanquis. Due to changes in her financial situation Miss J missed payments on the account from August 2023.

At the beginning of November 2023, Vanquis sent Miss J a Notice in Default. This set out that arrears of £481.53 had accrued and this amount had to be cleared or an arrangement set up by the end of November 2023 or the account may be defaulted.

Two days before the expiry period of the Notice of Default, Miss J contact Vanquis and spoke with customer services. She explained that her financial situation had changed and that she could only offer £50 per month. The agent asked Miss J if she would complete and Income and Expenditure Form over the phone with them, but she declined. It was agreed that this form would be posted to Miss J for her to fill in and return. The agent said they would pend the account for seven days.

Miss J says that the agent told her that by paying the £50 per month and entering a payment plan then the default would be avoided. Miss J says she didn't receive the Income and Expenditure Form in the post and decided to make a payment of £330 towards the credit card's balance at the end of November 2023.

However, Vanquis defaulted Miss J's credit card account at the end of November as per the Notice of Default. She was upset to find the account had been defaulted and made a complaint to Vanquis.

Vanquis said it couldn't now locate the call, but it was upholding her complaint as the agent may have misadvised her. It said although Miss J had made a payment of £330 this was insufficient to clear the amount of the arrears as shown on the Notice of Default and so the account had been correctly defaulted. It said it wouldn't remove the default.

Miss J disagreed with the response from Vanquis and complained to this service. Our investigator recommended that her complaint should be partially upheld. He said that he didn't think Vanquis had acted unfairly when defaulting her account but that it had provided her with a poor service. Our investigator said that Vanquis' agent may have given Miss J false hope that she could have avoid a default being applied by entering into a payment plan and that no action would be taken until she had returned the Income and Expenditure Form. He said she had been misadvised. Our investigator recommended that £100 compensation would be fair and reasonable to reflect the impact this misadvice had had on Miss J.

Vanquis has agreed with our investigator's view but Miss J has disagreed. She says she was told that by paying £50 per month she could avoid defaulting her account and had even paid a lump sum to stop any action. She says that the default has had a significant impact on her credit file and it should either be removed or the compensation increased. Miss J says had

she been properly advised then she could have taken a different course of action.

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've seen that when Miss J's credit card account had missed payments for three months that Vanquis had issued a Notice in Default. This action is in accordance with the Information Commissioner's Office guidelines. The notice sets out clearly the amount that needs to be paid and the date by which payment is to be made.

Miss J didn't contact Vanquis until very close to the deadline set for payment. I haven't been provided with a copy of the call but there are detailed notes of what was said which are helpful. And where information is missing or contradictory then I have to decide what I think is the most likely thing to have happened.

Here, Miss J spoke with an agent and explained she could only make payments of £50 per month. This amount was significantly less than the minimum contractual monthly payments of around £145 per month. The agent requested that Miss J complete an Income and Expenditure Form in order that her financial circumstances could be better understood. Miss J declined doing this over the phone and so it was agreed this would be posted to her. It was also agreed that the account would be pended for seven days meaning Vanquis wouldn't make contact with Miss J in that period. I don't think it's disputed that Miss J was likely given the impression nothing would happen with her account during those seven days and that a payment plan may be an option for her.

I don't think the agent told Miss J that a payment plan had actually been agreed at £50 per month during that call. The form about her finances had still needed to be completed by Miss J so I think she should have been aware that a plan wasn't yet in place. And before a payment plan can be accepted by Vanquis, it needed to be satisfied that the payments were both affordable for Miss J and sufficient to clear the debt in a reasonable time period. But, as set out above, I think she had been misadvised that the payment plan could be an option and that no action was going to be taken immediately on the account.

Vanquis says it wouldn't have been able to accept a payment plan from Miss J at the rate she had offered because it was too low. Looking at the minimum monthly contractual payments, I can't reasonably say that view was unfair. Miss J says that if she had she known that then she could have acted differently. So, the issue for me to decide is whether Vanquis' handling of the matter led to Miss J's credit card account being unfairly defaulted.

At the time the account was defaulted, Vanquis had no payment plan in place and the information on Miss J's account was that she was only able to make a payment of £50 per month for the foreseeable future. She hadn't said her circumstances were likely to change. And although she had made a lump sum payment of £330 to her credit card balance at the end of November 2023 this wasn't enough to clear the amount on the default notice. I think looking at this, that notwithstanding the misadvice, Vanquis would have still defaulted Miss J's account. I haven't seen that following the £330 payment that Miss J made any contact with Vanquis as to making larger payments nor to inform it that the Income and Expenditure Form hadn't arrived. I don't have any evidence as to what other steps were open to her, she had told Vanquis she could only afford £50 per month, and I think it's reasonable I accept that as her financial position at that time.

I also haven't seen any evidence that Miss J told the agent she intended to make this £330 payment and that they had agreed it would be enough to satisfy the default notice. Her

account remained in arrears after it had been paid.

So, although this will be of disappointment to Miss J, I don't think Vanquis acted unfairly by defaulting the account, even if they did so when Miss J had thought it was going to consider her payment plan offer. A default stops interest and fees accruing on account and the expectation is that a business doesn't delay in taking action if necessary. Here the account had been in arrears for some months even with the lump sum payment.

I've seen Miss J is unhappy at the amount of the compensation as she says it doesn't reflect the impact of the default notice. But the compensation isn't for the default but rather for being misadvised by the agent that a payment plan may be an option pending the completion of the form about her finances. Having had this expectation, Miss J was caused unnecessary distress and inconvenience when the default was applied and I agree compensation is warranted. I agree with our investigator that £100 is a fair and reasonable amount given the circumstances.

I'm therefore partially upholding Miss J's complaint in respect of the service Vanquis provided to her when she contacted it about her financial difficulties.

Putting things right

I'm asking Vanquis to pay £100 compensation to Miss J for misadvising her when she made contact with it about the Notice of Default.

My final decision

For the reasons set out above I'm partially upholding Miss J's complaint. I'm asking Vanquis Bank Limited to pay Miss J £100 compensation for the distress and inconvenience caused to her by misadvising her when she made contact with it about the Notice of Default.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 30 September 2024.

Jocelyn Griffith
Ombudsman