

The complaint

Mr G complains that Vanquis Bank Limited (“Vanquis”) sent his new credit card and other documents to the wrong address, which led to fraudulent activity on his account and fraudulent credit applications being made in his name.

What happened

Mr G holds a credit card account with Vanquis. In June 2023, he called Vanquis to request a new card. He checked that the card would be sent to his new address and Vanquis confirmed it would.

But the card and PIN were sent to Mr G’s old address. Vanquis accepts this was a mistake on its part. This mistake was identified when Mr G called around two weeks later to say he hadn’t received the new card but was aware of a new balance on the account, even though he hadn’t made any transactions himself.

Vanquis identified that the card had been sent to Mr G’s old address. It said it would send him a declaration to sign in relation to the unauthorised payments. But this was also sent to Mr G’s old address, so he didn’t receive it. He received a letter soon afterwards saying that Vanquis was going to close his account. When he called, he was told this was because he hadn’t returned the declaration. In light of its error, Vanquis agreed to process Mr G’s claim without the declaration. It refunded the unauthorised transactions in September 2023.

But Mr G said that Vanquis’ mistakes had also enabled the fraudsters to make credit applications in his name. He said he had to contact several different financial businesses to prevent lines of credit being opened. There are now CIFAS markers on his credit file as a result, which he says have affected his ability to obtain credit. He raised a complaint with Vanquis about these issues.

Vanquis accepted that the service Mr G received had fallen far below the standard it aims to provide. It offered him £200 by way of an apology. This hasn’t been paid as Mr G didn’t accept the offer. He asked this service to look at the complaint. He said the situation had been extremely stressful, significantly affecting his mental health and causing issues in his relationship. He had to take time off work to resolve the issue. And he said that a further fraudulent credit check was made using his details as recently as December 2023.

Our Investigator recommended that Vanquis pay compensation of £600 to Mr G.

Mr G didn’t think that was enough to reflect the impact on his relationship and mental health. He also said he’d spent time away from work so that he could engage with the financial businesses involved as well as the police and Vanquis. He said he now checks his credit report every day and feels very apprehensive about sharing personal information with anyone as a result of Vanquis’ mistakes. He has spent approximately £280 to date on subscriptions to the credit reference agencies for credit locking and daily update services, to

help protect himself from fraudsters applying for further credit in his name. So, he thought the compensation should be significantly more.

But Vanquis said that £600 would be too much. It accepted that soft searches were carried out on Mr G's credit file. But it said there are no hard searches, indicating that the fraudulent credit applications weren't fully submitted. It said it was willing to increase its offer to £300 to resolve the complaint.

As the parties didn't accept our Investigator's recommendation and couldn't reach a consensus, the complaint was referred to me to review. I issued a provisional decision on 16 August, indicating my intention to uphold the complaint and award Mr G compensation of £750 in total. Mr G accepted my provisional decision. Vanquis didn't respond. I'm now making a final decision about the complaint.

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 haven't seen anything which has changed my mind about what would be a fair outcome here. So, I'm going to uphold the complaint in the way I indicated in my provisional decision. My reasons are set out again below.

It's not disputed that Vanquis made mistakes here by sending the credit card and related information to the wrong address. The outstanding issue is the amount of compensation which Vanquis should pay to put things right, so that's what my decision will focus on.

The unauthorised transactions on Mr G's card have been refunded to his account, so he's not out of pocket in relation to those. But the transactions were only possible because of Vanquis' mistake, which caused Mr G worry and inconvenience. This was exacerbated by further mistakes in Vanquis' handling of Mr G's claim. It accepts that it sent the declaration to the wrong address. This added to the distress and inconvenience for Mr G and meant that the claim took longer to resolve than it should have done. Vanquis eventually agreed to proceed without the declaration, which I think was fair. But the transactions weren't refunded until September, having been reported in June. I don't think that was reasonable in the circumstances and I think the compensation needs to reflect this.

I'll now consider the credit applications made using Mr G's details. Vanquis accepts that numerous searches were made of Mr G's credit file. But it says these were only soft searches, so there is no lasting impact. It says there are no hard searches, so Mr G didn't suffer any detriment beyond the fraudulent transactions on his credit card. On that basis, it thinks compensation of £300 would be reasonable.

But Mr G says the reason there aren't any hard searches on his credit file is that they were removed by the lenders once they were satisfied the activity was fraudulent. That would be usual and it's what I'd expect to have happened here. Mr G's testimony is supported by the fact that at least three of the lenders felt it necessary to put CIFAS entries on his credit file noting that he had been the victim of impersonation. From the evidence available, I'm satisfied that Mr G did suffer detriment beyond the fraudulent credit card transactions.

He had to liaise with numerous lenders at the time to stop the applications. He was able to do this as he had been alerted to the searches. But he says it took a lot of time and I don't doubt that it caused him significant stress and inconvenience. He says this is ongoing as he feels the need regularly to check his credit report and is very wary in light of this experience. He has also explained how his health and relationship were affected by the situation.

Mr G says that his prospects of obtaining credit are also negatively impacted by the CIFAS entries on his credit file. The entries are there to protect him, but I think it's likely they could have some impact on future applications by Mr G. That's because lenders will have to make additional checks which will add to the application process and cause additional inconvenience for Mr G. They may also limit his options as he says that some smaller financial businesses won't do the additional checks.

In the circumstances, I think £600 would be a fair amount of compensation to reflect the distress and inconvenience Mr G has suffered.

He says he has also incurred expense through his subscriptions to the credit reference agencies, which he wouldn't have found necessary but for Vanquis' mistakes. Given the timing of these subscriptions starting, I'm satisfied that Mr G opened them because of the problems outlined here. I think that was reasonable. I don't think Mr G should be out of pocket as a result of Vanquis's mistakes. But I'm looking at the situation impartially, and I think it was Mr G's decision to open two subscriptions and keep them both going well beyond the CIFAS entries being in place.

I think Vanquis should reimburse some of the expense Mr G has incurred, but I wouldn't expect it to fund the subscriptions on an ongoing basis. I think the fairest thing to do here would be for Vanquis to pay a fixed amount to Mr G as reimbursement of some of the subscription costs. I think £150 would be a fair amount in the circumstances.

So, I'm going to ask Vanquis to pay Mr G £750 in total.

My final decision

For the reasons above, I uphold this complaint. Vanquis Bank Limited should pay Mr G compensation of £750.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 October 2024.

Katy Kidd
Ombudsman