

The complaint

Mr H complains that Vanquis Bank Limited increased its lending to him on his credit card account, even though he had no job and a gambling addiction.

What happened

Mr H took out a credit card account with Vanquis in 2011. He said Vanquis repeatedly raised his credit limit, although he wasn't employed and had a gambling addiction. He said this lending was irresponsible and unaffordable. He said he had 10 payday loans, was overdrawn on his bank account and had defaulted on multiple accounts. Mr H wanted a refund of all interest and charges applied to the account.

Vanquis said it opened an account for Mr H in August 2011, with an initial limit of £250. It had increased his limit to £1,000 in February 2014, then to £1,750 in January 2015. It said all minimum payments requested before the two increases had been received in full and on time. And he was, on average, paying significantly more than the required minimum payment. So it thought it was reasonable for it to conclude Mr H could manage a higher credit limit.

Vanquis said that before it opened this account for Mr H, it had been told he was employed on a full-time basis. It didn't think he'd told it about any change in his employment status. But it wouldn't necessarily have made a different decision if it had known that. Vanquis said it also hadn't previously been told about Mr H's gambling addiction.

Vanquis said Mr H had asked it to block his card on 31 July 2015. He had then rung back and asked for a new card to be issued. Vanquis said that Mr H's account did fall into difficulties after this, and it refunded all the interest and charges applied to the account since August 2015. That added up to £619.66 of interest and £180 of default fees.

Our investigator didn't think this complaint should be upheld. He said the way that Mr H was paying off his card meant that Vanquis didn't know he was having financial problems. And it didn't know he'd lost his job, or had a gambling addiction. Our investigator didn't think that Vanquis had done anything wrong.

Our investigator said the amount Vanquis had paid would clear most of Mr H's outstanding debt. He thought this was a very fair offer, and he said he had no further recommendations for Vanquis.

Mr H didn't agree with that. He said the debts weren't paid off by him, but by a relative. And he didn't have a job at any time when he had the card. He also said he had a number of ongoing problems managing his Vanquis account. He wanted to know why other complaints he had made to our service had succeeded, but this one didn't.

Our investigator said that Mr H had told Vanquis that he was working. It was up to him to tell Vanquis if things had changed.

Mr H still thought Vanquis had made a mistake by lending him all this money. He wanted an

ombudsman to look at what had happened. So the case came to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

Mr H took his card out in 2011. At that time, Vanquis had decided to lend him a relatively modest £250. Mr H wanted to complain about the increases to his credit limit Vanquis made after this.

Mr H was offered an increase on his credit limit in February 2014, with the new limit showing on his April 2014 statement. The limit went up from only £250 to £1,000. Vanquis said it offered him this facility.

The OFT Irresponsible Lending Guidance applied to Mr H's first credit limit increase. I think an increase from a credit limit of £250 to £1,000 was a significant increase, under that guidance. This guidance says that Vanquis should've taken account of whether Mr H was likely to be able to meet his repayments in a sustainable manner, in the light of the information it had. In this case, that clearly includes information on how he was managing his account.

I also note that Guidance from the UK Cards Association suggests Vanquis may consider a number of factors in making unsolicited credit limit increases.

Vanquis has pointed to repayments made in the months prior to the increase being offered. Those were above the minimum, on average. But in the twelve months before this limit increase was offered, Mr H had been over his limit for seven months, and his account had recently been suspended twice. I think that this should've suggested to Vanquis that Mr H was not managing his card well, and indeed, was at risk of financial difficulties. So a very sizeable increase in Mr H's credit limit was unlikely to be affordable for him. I think this increase shouldn't have been offered.

Mr H was offered a further increase in January 2015, with the new limit showing on his March 2015 statement. Although by this point the rules set out in the CONC section of the Financial Services Authority handbook, applied, the principle remained the same, that Vanquis ought not to offer increased lending to Mr H if it considered he was at risk of financial difficulties.

Mr H's credit limit went up from £1,000 to £1,750. Mr H's card had been over its limit in six of the preceding twelve months before this increase was offered. Worryingly, that included the month when his limit was increased from £250 to £1,000. I think that this should again have suggested to Vanquis that Mr H was not managing his card well, and remained at risk of financial difficulties. So a further increase in Mr H's credit limit was unlikely to be affordable for him. I think that this increase shouldn't have been offered.

I note Vanquis has refunded all of the interest and charges applied to Mr H's account since August 2015. Because I don't think the limit increases I've noted should have been offered to Mr H, I think that Vanquis should now repay Mr H any interest or charges he's paid in respect of a balance in excess of £250 since April 2014, when the first credit limit increase was implemented. Vanquis can use this refund to reduce any remaining debt that Mr H has to Vanquis in the first instance, if it wishes to.

I've listened carefully to the call Mr H made to pay off his card, reduce the limit, and block the card. And also when he rang back to have a card issued on the account.

On the first call, Mr H's father made a sizeable payment onto the card. Then Mr H asked to reduce his credit limit to what he owed and to block his cards. He said this was because of the high interest rate on his account. He didn't mention any concerns about overspending or gambling. He did say he wanted a permanent block on his card, but he told Vanquis this was because he'd lost his card. Vanquis explained it would issue a new card if he asked it to.

On the second call, Vanquis was very clear with Mr H that the credit limit had been reduced at his request, and that the card had been blocked. Mr H asked for a new card to be issued. He didn't give any indication of any reason that Vanquis should be concerned about this card issue. He didn't mention his gambling. I note that Mr H asked for his limit to be increased again on this call, and Vanquis refused.

I can see that Mr H started to miss payments on his account in August 2016. I understand his account was closed in early 2017.

For the reasons I've set out above, I think that Vanquis should now make a further refund to Mr H's card. When Vanquis first said it would refund some money to Mr H, it said it couldn't pay that money back onto Mr H's card, because the debt had been sold. But I am asking Vanquis to make a refund, so I think it's important that this money is used, in the first instance, to reduce the debt on this card which shouldn't have built up in this way. So I'll ask Vanquis to buy back this debt from the company it has sold it to.

Once Vanquis has this debt back, it should refund any interest or charges that Mr H paid in respect of a balance in excess of £250. I know Mr H has already received £799.66 from Vanquis, and I'll allow Vanquis to set off that amount against my award.

If the refund I'm requiring above, minus the money Vanquis has already paid Mr H, is more than Mr H owes Vanquis, then Vanquis should pay Mr H the remaining money.

I've thought about whether Vanquis should pay Mr H compensation too. But I don't think what's gone wrong here is entirely Vanquis's fault. Mr H did apply for this credit, he accepted the increases, and in particular, asked for his card to be reissued in August 2015. So I won't ask Vanquis to pay compensation in this case.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Mr H sent a substantive reply, Vanquis said it had nothing further to add.

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.

Mr H contacted us to say that he didn't think the refund Vanquis had already paid him was the right amount. He said he thought it should've paid £1,557, so he'd only had half of what he should've got.

Vanquis told Mr H it was paying back all the interest and charges applied on his account since August 2015, and it said that was £799.66. Mr H thinks it should be about twice that. But I can see that on 22 November 2015, Mr H received a number of large refunds. Once we allow for that, I don't think Vanquis has only paid Mr H half of what it owes. And I don't think

that Vanquis has to ignore the refunds it has already made, when it calculates how much it owes Mr H now.

Mr H said that the debt had now been sold to a firm who had added £85 in charges, he wanted Vanquis to refund that too.

Vanquis hasn't had a chance to consider a complaint about additional fees which have been added to Mr H's account. So I can't consider a complaint about any such additional fees as part of this complaint.

Mr H also thought he should be offered compensation. He said that Vanquis was hounding him with emails asking him to take out another card, even after a family member had paid off large chunks of his debt. Mr H said that this was still affecting him now, and he partly blamed Vanquis for that.

I understand that this debt is likely to have a continuing effect on Mr H. I hope that the refund I've asked Vanquis to make will go some way to helping with that. But I don't think Vanquis is solely responsible for the problems Mr H has experienced. As I noted in my provisional decision, Mr H did apply for this credit, he accepted the increases, and in particular, asked for his card to be reissued in August 2015. Mr H says that he was still receiving marketing emails from Vanquis after part of his card was paid off. But he hasn't told us that he'd asked Vanquis to stop sending those.

I've considered this case carefully, and I still don't think it would be appropriate to ask Vanquis to pay compensation in this case.

My final decision

My final decision is that Vanquis Bank Limited must –

- 1) buy back Mr H's debt
- 2) refund any interest or charges that Mr H has paid in respect of a balance in excess of £250 since April 2014, when Mr H's first credit limit increase was implemented, minus the £799.66 that Vanquis has already paid.
- 3) if the above amount is more than Mr H owes Vanquis, then Vanquis must pay Mr H the remaining money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 December 2020.

Esther Absalom-Gough

Ombudsman