

The complaint

Mr R complains that Vanquis Bank Ltd acted irresponsibly by giving him a credit card and twice increasing his credit limit when he'd already accumulated significant debts.

What happened

Mr R applied for a credit card from Vanquis in August 2017 – they gave him an initial credit limit of £1,000. He says that, at that time, he had debts of approximately £42,000 – and that around £28,000 of this was in default. Mr R says these debts had been accumulated through an addiction to financial spread-betting.

In December 2017 Vanquis notified him that his credit limit would be increased to £2,000 and in September 2018 they told him it would be increased to £3,000. He says he was using his Vanquis credit card extensively on financial spread-betting websites throughout 2018. Mr R says he accepted both credit limit increases - and that they contributed to his addiction to financial spread-betting until he was unable to balance his budget at the end of each month.

Mr R complained to Vanquis that they shouldn't have given him a credit card or increased his credit limit under those circumstances. Vanquis said that, based on the information they had available to them at the time, they didn't think their lending decisions had been irresponsible. But they accepted that, based on information now available to them, it may not have been appropriate for them to have offered him the original £1,000 credit facility or the credit limit increases that followed. They refunded Mr R's total outstanding balance of £3,406.11 and closed his account. But they didn't remove the record of this account from his credit file.

Our investigator didn't think Vanquis had acted unfairly or irresponsibly by offering Mr R a credit card with a limit of £1,000. But he thought the checks they'd carried out before increasing his credit limit revealed information that should've given them cause for concern as to whether Mr R could afford to repay more credit sustainably. He thought they should refund all interest and charges applied to the account after the first credit limit increase in November 2017, if they hadn't already done this. But the investigator didn't think Vanquis should have to remove the adverse information about this account from Mr R's credit file.

Vanquis provided further evidence showing the total interest and charges applied to Mr R's account after the first credit limit increase amounted to £986.42 – far less than the amount they'd already refunded. Our investigator explained this to Mr R, who accepted this point.

But Mr R still felt Vanquis should amend his credit file. He said he'd never exceeded his credit limit or missed a payment until his credit limit was increased to £2,000. He felt the adverse information recorded on his file after that increase should be removed, to put him back in the position he would've been in if those increases hadn't been granted.

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.

When Mr R complained to them, Vanquis accepted that its decision to lend might have been inappropriate. So I don't need to decide that point. Instead I'll concentrate on whether they've done enough to put things right.

In response to his complaint, Vanquis closed Mr R's account without asking him to repay the outstanding balance of £3,406.11. A lender might do this where the borrower has no reasonable prospect of ever being able to repay the money they've spent. However, where an affordable payment arrangement can be reached, a refund of interest and charges is often sufficient, taking into account the fact that the borrower has had the benefits of the things that were purchased with the card. I don't think the circumstances in Mr R's case justify me requiring Vanquis to do more than they've already done.

Mr R says he continued to make his contractual minimum monthly payments until the credit limit was increased to £3,000, but at this point the debt was completely unmanageable and he had to cease repayments to prioritise essential spending, such as his mortgage. He thinks Vanquis should be required to remove the adverse information that appeared on his credit file after this point. I've given this careful consideration, taking into account the information shown in the bank statements and credit report he's provided.

Mr R's credit report shows regular payments were made to his Vanquis account until March 2019, when payment is shown as late. I've looked closely at the period leading up to this late payment. His credit file shows that he took out a very large number of credit cards and small loans in this period. I can understand Mr R not wanting the late payment information on his file – it's likely to affect his ability to obtain more credit. But I have to balance this against the purpose of recording factual credit information.

Based on the evidence I've seen, I'm unable to say that Mr R would've maintained his payments if his credit limit had stayed at £1,000. And I have to bear in mind the effect of removing the later information, leaving just the earlier account history on his file.

Lenders and other account providers check credit files to help them decide whether or not they want to do business with a customer. This can also be an important part of the checks lenders carry out to make sure repayments are sustainable for customers, without causing them financial difficulties. I find the information recorded on Mr R's credit file to be an accurate reflection of how the account was managed. I don't consider that it would be fair and reasonable for me to ask Vanquis to remove Mr R's payment record from his file. However, should he wish to do so, Mr R can apply a notice of correction to his file explaining the reasons for the missed payments, which prospective lenders will be able to take into account.

My final decision

To settle this complaint, Vanquis Bank Ltd refunded £3,406.11 to Mr R's account, bringing his outstanding balance to zero. I think this is fair in the circumstances, so I'm not going to ask Vanquis to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 May 2021.

Corinne Brown
Ombudsman