

## **The complaint**

Miss M complains that Vanquis Bank Limited increased her credit card limit when she couldn't afford the borrowing.

## **What happened**

Miss M took out the credit card in April 2014, via an on-line application. The account was opened with a £150 credit limit. In October 2014, Vanquis offered to increase the limit to £550; and in July 2015 to £1,500 (with the increases taking effect soon after).

Vanquis says it was first alerted to Miss M's financial difficulty in December 2015, when she was temporarily out of work. In February 2016, the account was repaid and closed.

In June 2020, Miss M complained to Vanquis about its decision to accept her credit card application, and the two limit increases. In response, Vanquis explained that on each occasion Miss M had passed its credit scoring check.

Miss M remained unhappy, so she contacted our service. One of our investigators concluded that, under the rules we must follow, due to the time that had passed we couldn't consider Vanquis' original decision to lend. She did consider the two credit limit increases, but she didn't think Vanquis had done anything wrong.

Miss M accepted we couldn't consider Vanquis' original decision to lend, but she asked for a final decision from an ombudsman in respect of the two limit increases. Therefore, her complaint about the two increases were passed to me to decide.

I issued my provisional decision in February 2021. I explained I intended to uphold the complaint, in part. I said:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*A lender is required to carry out proportionate checks, which are specific to the lending decision; and carry out borrower-focused affordability checks by considering individual circumstances. The lender also needs to ensure repayments are sustainable for the borrower.*

*Based on the information provided so far, I understand the following:*

- *When the credit card was taken out, Miss M declared she was unemployed, but she had a personal income of £10,000. Miss M did have ad-hoc employment. However, she says her declared income was largely made up of DWP payments, tax credits, and child benefit (her current account statements show that in 2014, she only received about £1,600 from paid employment).*

- Miss M says she was living in a property owned by her mother, and she didn't have any rent or utility bills. However, she did have a dependant who was born in 2013 and food costs. Miss M also says she had a partner who contributed ad hoc.
- When the card was first taken out, and after the first and second limit increases, the available balance was immediately spent on gambling.
- At the time of the first increase, although Miss M had exceeded her credit limit on two occasions, she had made the minimum payment or more each month. She also had no other lines of credit.
- At the time of the second increase, Miss M had other debt of £1,210 (a credit report provided by Miss M shows this debt was split across three other credit cards taken out in December 2014, April 2015, and June 2015 – and the limit had been spent immediately on each one).
- Miss M's current account statements show that at the time of the second increase, she hadn't received an income from paid employment for six months, and she was solely reliant on DWP payments, tax credits, and child benefit.

*In view of Miss M's declared income, her limited outgoings, and no other borrowing, overall, I'm persuaded the credit scoring check before the first credit limit increase was sufficiently proportionate and borrower-focused. I say this because, I'm not persuaded the information available to Vanquis before and after its check, ought to have given it reason to doubt the affordability of the limit being offered.*

*However, overall, I'm not persuaded the same can reasonably be said for the second limit increase. I say this because Miss M had taken out three other credit cards between the first and second increase and immediately spent their limits, just as she had immediately spent the previous limits on this card when it was first taken out and after the first increase. She had also only been making the minimum payment on this credit card for the previous four months. So, whilst I accept Vanquis wasn't obligated to monitor the account for gambling difficulties, in my view, the other information alone ought reasonably to have prompted a more borrower-focused check, particularly given Miss M's declared unemployment and previous defaulted debts.*

*I consider it likely that a more borrower-focused check would have identified the spending pattern on this credit card (immediately maxing out the limit on gambling), and that similar spending was occurring on her current account and other credit cards; and that Miss M hadn't received any paid income for six months.*

*In view of the information that was available to Vanquis, and the information Vanquis ought reasonably to have discovered, I'm not persuaded increasing the credit limit to £1,500 was sustainable borrowing for Miss M (in respect of her being able to repay the debt without further borrowing).*

*Although I accept Miss M fell within Vanquis' lending criteria in respect of the credit scoring, that doesn't automatically mean it was responsible to lend to her."*

Miss M accepted my provisional decision, but she made the following comments:

- Miss M reiterated she was unemployed when the account was opened. She's still of the view that the first credit limit increase shouldn't have been offered, as she remained unemployed.

- Miss M says, when closing the account, the balance was repaid by borrowing money from her sister. She's pointed towards her bank account statement by way of evidence. Miss M says she needed help due to her financial difficulties.
- Miss M asked me to also consider the fees she was charged by Vanquis for the gambling transactions. She says these fees were excessive.

Vanquis made the following comments:

- In October 2014, there were four active credit lines shown on Vanquis' searches, and in July 2015 there were six. So, Miss M may have taken out three other credit cards between October 2014 and July 2015, but from the available information, it's likely one line of credit was also closed during that period.
- Vanquis' searches showed that, by July 2015, no external debt repayment had been missed for more than two years.
- Based on data from a credit reference agency, since the account was opened Miss M had been making small payments towards her defaulted debt. By July 2015, whilst her external debt had risen from zero to £1,210, her total debt, including defaulted debt, had dropped from £4,534 in October 2014 to £4,083 in July 2015.
- From October 2014 to July 2015, Miss M hadn't missed a payment to her Vanquis' account, and the statement balance had exceeded the credit limit on only one occasion.
- Vanquis acknowledges Miss M's gambling transactions. However, there had been no change in spending habits on the card, no reliance on ATM withdrawals, and no reliance on short term lending such as 'payday' loans.
- The account operated within the terms and conditions for several months after the second limit increase; and it appears Miss M had gained employment, because in December 2015, Vanquis was advised of financial difficulty due to the seasonal nature of her work.
- In February 2016, Vanquis received payment of £1,462 to close the account, and it's found no evidence of this having been financed by increased external debt.

### **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.

Miss M still believes the first limit increase shouldn't have been offered. However, no further information has been provided, and I remain persuaded that the credit scoring check before the first credit limit increase was sufficiently proportionate and borrower-focused. So, I don't uphold this part of her complaint.

Vanquis has made a number of observations, but overall, my view remains unchanged. I'll explain why.

Vanquis says at the time of the first limit increase Miss M had four active lines of credit, and at the time of the second limit increase she had six. However, although I acknowledge the summary information provided by Vanquis supports what it says, there's no details about what these other accounts were, and based on the two credit reports that I've seen, I'm persuaded it's reasonable for me to base my decision on the information I set out in my provisional decision.

The two credit reports show that at the time of the first limit increase, Miss M only had active borrowing with Vanquis and a mobile phone provider; and before the second limit increase, three more credit card accounts had been opened.

I'm also not persuaded that Miss M's small payments towards her defaulted debt supports Vanquis' case. I accept this shows Miss M was, to some extent, managing her debt. But it also highlights that she had defaulted debt to repay, in addition to the further credit card accounts she had opened, by the time of the second limit increase.

Although Miss M may have had some paid employment by December 2015, the fact remains she had disclosed she was unemployed when the account was opened, and at the time of the second limit increase, she had not received any paid income for six months.

Whilst I accept Vanquis' point about the card not being used for ATM withdrawals and Mrs M not relying on payday loans, *overall*, in view of the other circumstances, I remain persuaded that the second limit increase wasn't responsible lending.

Miss M has asked me to consider the account charges applied to her gambling transactions. However, if she accepts this final decision, any interest and charges applied as a result of the second limit increase, will be refunded.

If Miss M remains unhappy about the transaction charges she incurred before the second limit increase (because she believes the charges were excessive, rather than due to the lending being irresponsible) that's something she needs to raise with Vanquis in the first instance, so it has the opportunity to respond. The complaint I'm considering here, only concerns Vanquis' lending decisions. It doesn't concern the charges that applied to individual transactions.

## **My final decision**

For the reasons I've set out above, and in my provisional decision, I uphold this complaint in part. My final decision is Vanquis Bank Limited should:

- rework the account as if the second increase hadn't happened, ensuring any additional interest and charges are refunded; and
- if the account goes into a positive balance as a result, add 8% simple interest<sup>1</sup> on that amount for the duration of the positive credit balance

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<sup>1</sup>If Vanquis Bank Limited considers that it's required by HM Revenue & Customs to deduct income tax from any interest paid, it should tell Miss M how much it's taken off. It should also provide a certificate showing the amount deducted, if requested, so she can reclaim it from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 27 April 2021.

Vince Martin  
**Ombudsman**