

## **The complaint**

Mr H is unhappy with the credit limit increases given to him by Vanquis Bank Limited on his credit card account. He said these increases were irresponsible. Mr H wants Vanquis to refund the interest and charges added to his account since the first of the credit limit increases.

## **What happened**

Mr H took out a credit card account with Vanquis some years ago. The original account limit was £500. But between September 2013 and May 2016, this limit was increased five times. By May 2016, his limit was £4,000.

In June 2019, Mr H complained to Vanquis about the credit limit increases. He told the bank the lending was irresponsible as his external debt and his gambling addiction hadn't been taken into account when his credit limit had been raised.

Vanquis didn't uphold Mr H's complaint. Briefly, the bank said it had looked at his individual circumstances when making the decision to offer the credit limit increases. Vanquis said, based on these checks, it didn't believe the increases were irresponsible. It also said that Mr H hadn't told the bank about his gambling addiction until he complained in June 2019.

Mr H didn't accept this. He brought his complaint to our service where one of our investigators looked into it. The investigator didn't think the complaint should be upheld. In summary, he said: Vanquis had carried out reasonable and proportionate checks to satisfy itself Mr H could repay his account; and, the value and frequency of his gambling transactions shouldn't have meant Vanquis was aware of his addiction.

Mr H didn't accept this. He asked for his case to be reviewed by an ombudsman. So it was passed to me. After considering all the available evidence and arguments, I was satisfied that Vanquis had acted fairly and reasonably when offering Mr H four of the five credit limit increases – for broadly the same reasons as our investigator.

But I wasn't satisfied that the first of the limit increases should have been offered to Mr H when it was. This was because I thought Vanquis should have been aware that in the three months before this increase, Mr H had a number of short-term loans. I told Vanquis I was minded to direct it to remove all interest charged on balances over £500 from when the limit was increased around September 2013 to when the limit was next increased around July 2014. Vanquis agreed to this.

In an effort to resolve this matter informally, I set out my thinking to Mr H. He replied asking for a formal decision. He felt that if the first limit increase shouldn't have been made, then the further increases up to £4,000 wouldn't have happened.

## **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.

Having done so, I've decided to partly uphold Mr H's complaint. I'll explain why. First, I'm very aware that I've summarised this complaint very briefly, in far less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here: was it fair and reasonable for Vanquis to offer Mr H the increases to his credit limit?

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

When deciding if Vanquis acted fairly and reasonably here, I think there are two overarching points I need to consider. These are:

1. Did Vanquis complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay his credit account in a sustainable way?

- If so, did it make a fair lending decision?
- If not, would sustainable and proportionate checks have shown that Mr H could sustainably repay the borrowing?

2. Did Vanquis act unfairly or unreasonably in some other way?

Did Vanquis complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay his credit card account in a sustainable way?

I would point out that Mr H hasn't complained here about Vanquis's decision to give him a credit card account. He's complained about the increases to his credit limit. The account was opened in 2012. This is more than six years before Mr H complained to Vanquis. Any complaint about the opening of the account is now likely to have been made too late, outside the time limits set out in the rules I must follow.

I'll now turn to credit limit increases. These were as follows:

September 2013 - £500 to £1,500  
July 2014- £1,500 to £2,250  
February 2015 - £2,250 to £3,000  
September 2015 - £3,000 to £3,500  
May 2016 - £3,500 to £4,000

When lenders – Vanquis in this case - are deciding whether to offer credit, they need to make sure there are proportionate checks in place. These checks should ensure that any credit that's approved is affordable and sustainable for the borrower. There's no set list of checks that lenders must complete. It's up to each business to decide how it wants to approach assessing lending decisions.

Here, Vanquis already had information from when Mr H opened the account. The bank was also able to look at the history of this account – how Mr H was using it for example and how he was repaying it. Vanquis also carried out checks to see what other credit commitments Mr H had and how these were being conducted. I've looked at Vanquis's records for Mr H. I can see the bank looked at numerous indicators before offering him the increases to his credit limit.

These included, but weren't limited to, such things as the number of credit accounts he had, the total amount he owed on those accounts, how these had been conducted, whether he'd had any short-term loans in the previous three months and if there were any county court judgements. Taking all this into account, I'm satisfied that in Mr H's individual circumstances, the checks carried out by Vanquis were reasonable and proportionate.

With this in mind, I've gone on to think about if Vanquis made a fair lending decision. With the exception of the first increase in September 2013, which I'll deal with shortly, I'm satisfied Vanquis's decisions to offer the four later limit increases – between July 2014 and May 2016 were fair. I'll explain why.

When each of these lending decisions were made, I can see the outstanding balances on Mr H's other credit commitments were going down and these had been conducted in a satisfactory way. Since Mr H opened the account with Vanquis, none of these accounts had gone into default and no country court judgements had been registered. Nor were there any short-term loans showing in the three months preceding these limit increases.

I've also looked at the monthly account statements for the Vanquis account. In the three months leading up to each limit increase, I can see Mr H was maintaining the account within the limits applicable at the time. He was also making payments above the minimum required. I'll give one example: in June 2014 the minimum monthly payment was just under £67 and Mr H actually paid £300. From the available evidence, I'm satisfied the four decisions Vanquis made to offer him limit increases between July 2014 and May 2016 were fair.

But I don't think the decision to offer Mr H a limit increase in September 2013 was fair. The key difference with this decision is that at that time, the checks carried out by Vanquis showed Mr H had a number of short-term loans. These should have been an indicator that repayments on an increased credit limit might not be sustainable for him at that point in time.

So, while I'm satisfied the checks the bank carried out were reasonable and proportionate, I don't think the decision to offer a limit increase from £500 to £1,500 was fair without Vanquis making further enquiries into Mr H's situation at that time. The available evidence doesn't show it did this.

To put things right, I'm satisfied it would be fair and reasonable for Vanquis to remove all interest and charges that were added to Mr H's account on any balance over £500 from when the limit was increased to £1,500 around September 2013 to when the limit was next increased to £2,250 around July 2014. I'm pleased that Vanquis has already offered to do this.

I know Mr H feels that if the initial increase hadn't been applied, then the further increases wouldn't have happened. I don't agree. Just because I don't think Mr H should have been given a credit limit increase in September 2013, it doesn't mean he should never have been offered a limit increase. Each lending decision should be made on the relevant information at the time of the proposed increase. Indeed I can see Vanquis looked at whether it could offer Mr H a limit increase in June 2013 but made the decision not to do so.

As I've outlined above, there's nothing in the available evidence to make me think Vanquis shouldn't have offered the subsequent limit increases when it did, based on Mr H's individual circumstances at that time. The checks the bank did indicated his financial position was continuing to improve. So I don't agree that the four subsequent increases wouldn't have happened if Vanquis hadn't offered Mr H the first. My proposed redress reflects this.

Did Vanquis act unfairly or unreasonably in some other way?

When Mr H complained to Vanquis in 2019, he told the bank about his gambling addiction. He said Vanquis should have been aware of this from the transactions he made using his credit card, and this should have prevented the limit increases. Again, I don't agree.

At the time of the limit increases, there were no rules or regulations that meant Mr H shouldn't have used his Vanquis account to make gambling transactions. I've looked at his statements from before and after each increase. While it's clear to me that Mr H was using his credit card for gambling transactions, he was also using it for other everyday spending and to make cash withdrawals. From this, I'm not satisfied Vanquis should reasonably have been aware Mr H had a gambling addiction until he told the bank this in 2019.

Also, I can see that when Mr H was offered each limit increase, he was given the chance to refuse it. The letters Vanquis sent made it clear that Mr H could call the bank and tell it he didn't want the limit increase. I'm satisfied this is fair and reasonable. So, I'm satisfied the available evidence doesn't indicate Vanquis acted unfairly or unreasonably in some other way.

In summary, I'm satisfied Vanquis completed reasonable and proportionate checks to satisfy itself that Mr H would be able to repay his credit card account in a sustainable way. I'm also satisfied its lending decisions for the last four limit increases were fair. Nor did it treat him unfairly in some other way.

But, for the reasons outlined above, I'm not satisfied it should have offered him the first limit increase.

### **Putting things right**

To put things right Vanquis should remove all interest and charges that were added to Mr H's account on any balance over £500 from when the limit was increased from £500 to £1,500 around September 2013 to when the limit was next increased to £2,250 around July 2014.

### **My final decision**

My final decision is Vanquis Bank Limited should remove the interest and charges added to Mr H's account for the period set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 September 2021.

John Miles  
**Ombudsman**