

The complaint

Mrs B is unhappy that Vanquis Bank Limited approved her for a credit account that was unaffordable for her at that time.

What happened

In November 2015, Mrs B applied for a credit account with Vanquis. Her application was approved, and Vanquis issued Mrs B with a credit account with an initial credit limit of £500.

In July 2016, Vanquis assessed Mrs B's account and increased her credit limit to £1,250. Three further credit limit increases followed, with the credit limit reaching £3,500 following the final credit limit increase in November 2017.

In August 2019, Mrs B raised a complaint with Vanquis on the basis that she felt that the credit account that she had been approved for in 2015, as well as the subsequent credit limit increases, had been unaffordable for her at those times.

Vanquis looked at Mrs B's complaint, but they felt that they had undertaken checks into Mrs B's financial circumstances at the time of the credit account application and the credit limit increases and that there had been nothing resulting from these checks that gave them cause to consider that the credit being offered might be unaffordable for Mrs B. So, they didn't uphold the complaint.

Mrs B wasn't satisfied with Vanquis' response, so she referred her complaint to this service. One of our investigators looked at this complaint. They felt that there had been nothing in the checks undertaken by Vanquis at the time of the credit account application that should have given Vanquis cause for concern.

However, our investigator felt that had Vanquis undertaken reasonable and proportionate checks into Mrs B's financial position at the time of the later credit increases, from July 2016 onwards, that Vanquis would have found information that suggested that these credit limit increases weren't affordable or suitable for Mrs B at those times. So, our investigator recommended that this complaint be upheld in Mrs B's favour on that basis.

Vanquis didn't agree with the recommendation put forward by our investigator, so the matter was escalated to an ombudsman for a final decision.

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.

It's for a business to decide who it will offer credit to, and if so, on what terms. What this service would expect would be that the business undertakes reasonable and proportionate borrower focussed checks into any new credit being offered, such that the business can demonstrate that the new credit is affordable for that customer at that time.

Vanquis say that they did that here. They took detail of Mrs B's income and expenditure at

the time of the account application and they also conducted a review of Mrs B's credit file. Vanquis also conducted further credit file reviews at the time of the credit limit increases, and also reviewed Mrs B's management of the Vanquis credit account at those times to ensure that Mrs B wasn't having difficulty maintaining the account.

I'm aware that Mrs B feels that Vanquis didn't take due regard of the historical activity on her credit file at the time that she applied for the credit account, including the fact that there was a default present on her credit file at that time. But while a default was present on her credit file, the date of default was some time prior to the credit account application, and Mrs B's recent credit history at that time didn't present anything which I consider should have given Vanquis cause to doubt that the credit account, with the relatively low initial credit limit of £500, would be affordable for Mrs B.

So, I'm satisfied that it was reasonable for Vanquis to have approved Mrs B's initial application for a credit account on the basis of the information they had available to them at that time, and to have issued Mrs B with a credit account with a £500 credit limit.

However, I'm not convinced that it can be fairly or reasonably said that any of the subsequent credit limit increases can be considered as being affordable or suitable for Mrs B at the times that they were implemented. And I say this because of the usage of Mrs B's Vanquis credit account, which demonstrated a high number of gambling transactions which I feel should have given Vanquis cause for concern, as well as the deteriorating wider financial position of Mrs B, as demonstrated by her credit file.

It's notable from the Vanquis credit account statements that the first three transactions on the account are all transactions to gambling firms, and that these transactions total £460 and therefore used up the majority of Mrs B's initial £500 credit limit on the very first day of account usage by Mrs B. Furthermore, Vanquis charged Mrs B a total of £15 on the very basis that these were gambling transactions, which demonstrates that Vanquis were aware of the nature of these initial transactions.

Vanquis explained to this service that they wouldn't discriminate against an account holder on the basis of how they use their account. But I'm not convinced that this argument can be considered reasonable when an account holders' transactions highlight a potential gambling addiction. And it's difficult to reconcile Vanquis' statement here with the fact that they charged Mrs B precisely because of the fact she was making gambling transactions.

In circumstances such as this, it would be expected by this service that Vanquis would have recognised the potential damage that increasing Mrs B's credit limit, and therefore potentially further facilitating Mrs B's possible gambling addiction, could have caused. But I can't see that Vanquis did consider that here, even though they had charged Mrs B for gambling transactions a total of ten times between the account opening and the first credit limit increase in July 2016.

It's difficult then, not to conclude that the information readily available to Vanquis regarding Mrs B's usage of the Vanquis credit account should have given Vanquis cause for concern such that they should have conducted a more thorough check into Mrs B's financial position, including the possibility that Mrs B might have been struggling with a gambling addiction.

Similarly, it's difficult not to conclude that had Vanquis undertaken such checks, they would have discovered that Mrs B was struggling financially at the time of the first credit limit increase, and had been spending disproportionately on gambling transactions such that it would have been irresponsible for Vanquis to have increased Mrs B's credit limit given that there was a reasonable chance that Mrs B might have used the additional credit made available to her to make further gambling transactions and further increase her level of debt.

Finally, it's also evident from Mrs B's credit file that, in the period between the credit account being approved in November 2015 and the first credit limit increase in July 2016, Mrs B applied for and used several payday loans. While the use of payday loans isn't of itself necessarily an indicator of financial difficulty, I do feel that in this instance, in consideration of the information already explained above, it should have provided a further indication to Vanquis that the credit limit increase it was considering might not be appropriate and that further, more detailed investigation, was necessary.

I realise that this won't be the outcome that Vanquis were wanting here, but if follows from this that I'll be upholding this complaint in Mrs B's favour on the basis that I feel that the credit limit increase in July 2016, and all later credit limit increases, shouldn't have been offered. I hope that Vanquis can understand, given everything that I've have explained, why I have made the final decision that I have.

Putting things right

Vanquis must reimburse to Mrs B's account all interest, fees, and charges applied to the account on the balance above the initial credit limit of £500 subsequent to the credit limit being increased for the first time in July 2016.

If these reimbursements result in a credit balance in Mrs B's favour, this balance must be paid to Mrs B in addition with 8% simple interest calculated from the date that the interest, fees, or charges were applied to the account to the date of payment to Mrs B.

Vanquis must also remove all adverse information from Mrs B's credit file relating to this account from the point of the first credit limit increase in July 2016 onwards.

My final decision

My final decision is that I uphold this complaint against Vanquis Bank Limited on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 23 June 2021.

Paul Cooper
Ombudsman