

The complaint

Mr S complains of irresponsible credit increases to his account by Vanquis Bank Limited (Vanquis). He would like all charges applied to his account since 2014 refunded. And any negative information on his credit file amended

What happened

Mr S says he took out a credit card with Vanquis with an initial limit of £500 in 2013. Vanquis increased the credit limit to £1500 in 2014 and to £3000 in 2017.

Mr S says as he was in financial difficulty at the time managing his finances with pay day loans and family support. He also said he had a gambling problem. So, he didn't feel Vanquis should have offered the increases that it did.

Vanquis said it made appropriate checks each time the credit limit was increased. And from these felt the credit increases were viable.

My provisional decision

I issued a provisional decision in which I found :-

- Vanquis aimed to help those with moderate means to access credit products perhaps not available elsewhere. So, levels of external lending and historic debt wouldn't necessarily mean it wouldn't offer a credit increase.
- Vanquis advised Mr S of the two increases giving him the opportunity to opt out of them. But that didn't take away its obligations to lend responsibly.
- Before agreeing to credit increases a business needs to ensure it does so in a responsible manner. There isn't a set requirement of what a business must do in every instance. But they are expected generally to carry out appropriate and proportionate borrower focused checks around the affordability of any lending, before providing it, and to ensure a borrower can afford to make and sustain the repayments, taking account of their financial situation.
- I had to consider if, with the two increases in dispute, Vanquis met these obligations or if there were further checks it should have carried out to ascertain the suitability of the proposed increases including Mr S's ability to manage repayments.
- The first increase Vanquis made in May 2014 took Mr S's credit limit from £500 to £1500.
- At that time the account statements that Vanquis provided showed Mr S made at least the minimum payment each month – usually slightly more and prior to the first increase he made three very significant payments. He largely stayed within his credit limit and when he did exceed it this was usually by a relatively modest amount – less

than £10. I didn't feel that, at the time of the first credit increase, that there were any concerns with the account management for Vanquis to consider.

- Vanquis also carried out credit searches which only showed two short term loan applications had been made in the previous three months and active outstanding external debt was £290. The information it collated also covered the total value of defaults (£0), the time since the last default (32 months), the total value of County Court Judgements (CCJs) (£5,521) and the time since the last CCJ (23 months)
- Vanquis, in my view, carried out proportionate checks, combined with its own knowledge of Mr S's account management, to ensure its proposed credit increase was affordable. The level of Mr S's external debt wasn't excessive, his last default was nearly three years ago, and he was managing his account relatively well.
- In addition to the information Vanquis considered Mr S has also given us bank statements for 2014 to show he managed his account within his overdraft limit. That didn't necessarily indicate to me that Mr S was in financial difficulty – some people chose to manage their finances using their overdraft.
- The bank statements indicated several gambling transactions – all for relatively low amounts – around £10.
- I saw no evidence Mr S advised Vanquis of his gambling problem. Although I did appreciate this might have been a difficult thing for Mr S to do.
- Given the information available to Vanquis at the time of the first increase and given the type of credit provider Vanquis is, I didn't think it would have been proportionate for Vanquis to carry out further checks for the first increase. I thought it had enough information to think this credit increase was affordable.
- However, I wasn't persuaded that the second credit increase in 2017 was either responsible or affordable. By this time Mr S had several pay day loans which would indicate he was potentially becoming dependent on short term lending.
- I appreciated Vanquis showed its own search at the time showed no short-term loans had been applied for in the three months prior to increasing his credit limit. However, my main concern was that Vanquis' searches showed that Mr S's outstanding balance of external debt excluding mortgages had risen from £290 prior to the first loan increase to £16,973 prior to the second credit increase. I didn't agree with Vanquis view that this sum was low even accepting Mr S's relatively strong declared income on his initial credit application. And of course, his income could have changed since then.
- The increase in outstanding debt was a significant increase for which I felt it would have been proportionate for Vanquis to have carried out more checks to ascertain what the increase was due to, and to assess Mr S's current income and expenditure and therefore likely ability to manage a further credit increase. Additionally, it was also clear from Vanquis's own statements that the gambling transactions, whilst still for relatively modest amounts, were ongoing and further checks might have shown that Mr S wasn't just using his Vanquis account to make such transactions.

- I wasn't persuaded the second credit increase was responsible, so I felt it would be appropriate for Vanquis to refund any charges and interest payments applied to the account from the date of the second increase which I understand was November 2017.
- As the debt was still outstanding but had been transferred to an external organisation. I thought Vanquis should buy back the debt and use the refund of charges and interest to reduce the outstanding balance. If this left Mr S with a credit balance this should be refunded to him with 8% simple interest.
- It was also fair to remove any adverse information from Mr S's credit file November 2017 and to pay the £100 distress and inconvenience payment our investigator recommended as I didn't think Vanquis should have offered the second credit increase.

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.

Vanquis accepted my provisional decision in part. However, it didn't feel it was fair to refund all interest payments made since November 2017. It felt it should only need to refund payments made on balances over £1500 – the amount of credit prior to the second increase.

I understand Vanquis' logic, but I don't agree with it. Had it carried out proportionate checks prior to the second increase being given and realised the full extent of Mr S's financial situation it might have frozen his account at that point not allowing further transactions.

And whilst we don't say businesses have to suspend interest payments when customers are in financial difficulty, we do expect businesses to respond positively and sympathetically. In this case, suspension of interest payments at the point of the second increase ,might have been a reasonable step to take.

Mr S didn't accept my provisional decision. He said his gambling transactions were more numerous and more significant than he felt I indicated in my provisional decision. That prior to the first increase being applied he took out several pay day loans over a short period of time, and he was dependent on family support to manage his finances.

Mr S provided us with bank statements which support what he has told us about the number and frequency of gambling transactions in 2014 along with a credit report which supports his comments that he had taken out several payday loans just prior to the first credit increase . I have also noted he took out further payday loans just after that first credit increase. Many of the short-term loans show as settled in 2014 and further ones show as settled in subsequent years. He hasn't provided us with any evidence to show he had family support to manage his finances.

I have revisited the information available to Vanquis at the time of the second increase .And I have carefully considered the information Mr S has provided in response to my provisional decision.

For Vanquis to have not offered a second increase or to have made further checks on affordability there would have had to be a reason to do so. But I don't believe at the time of the second increase there was any reason for Vanquis to do this .

I appreciate it might have been difficult for Mr S to share information with Vanquis on his gambling transactions but , as far as I am aware, he didn't make Vanquis aware of any financial problems. His account management didn't flag any issues – in fact he had made a number of large payments to his accounts. And I don't think the gambling transactions which showed on his Vanquis account weren't significant enough to cause concern on their own.

The checks Vanquis carried out didn't flag any issues that lead me to feel further checks would have been proportionate at the time. I appreciate the information doesn't tally with the credit information Mr S has given us but that might be due to which credit reference agency Vanquis used.

The checks available to Vanquis showed two short term loan applications in the three months prior to the first increase with an active outstanding external debt of £290. The total value of defaults was £0, the time since the last default was 32 months, the total value of County Court Judgements (CCJs) was £5,521 and the time since the last CCJ was 23 months.

I think the checks Vanquis carried out for the first credit increase were proportionate at the time. I feel further checks would have been proportionate for the second increase primarily as Vanquis was aware that Mr S's level of external debt had increased significantly from £290 to just under £17000.

Having carefully considered all the information to me I see no reason to alter my provisional decision.

My final decision

My final decision is that I uphold this complaint.

In full and final settlement Vanquis Bank Limited should :-

- Buy back Mr S's debt and reduce it by any interest and charges Mr S made from November 2017 onwards. If this leaves Mr S with a credit balance this should be refunded to him with 8% simple interest added from the date the credit balance accrued to the date of settlement
- Remove any adverse information from Mr S's credit file from November 2017
- Pay Mr S £100 for the distress and inconvenience

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 August 2021.

Bridget Makins
Ombudsman