

## **The complaint**

Mrs W complains that Vanquis Bank Limited was irresponsible to offer her a credit card and then increase her credit limit. Mrs W wants Vanquis to refund the interest and fees that she has paid.

## **What happened**

Mrs W opened a credit card account in February 2014 with a credit limit of £250. Vanquis increased the limit to £1,000 in September 2019.

Mrs W said she struggled to keep up with her repayments and should never have been given the card or the increased credit limit.

Vanquis was satisfied that it carried out adequate checks before agreeing to lend. The investigator didn't recommend that Mrs W's complaint be upheld. She thought Vanquis's checks were proportionate before agreeing to open the credit card account.

The investigator agreed that there were some months when Mrs W exceeded her credit limit, but these weren't too frequent. So, she didn't think it was unreasonable of Vanquis to increase Mrs W's credit limit.

Mrs W disagreed with the investigator's recommendation, so the complaint came to me.

### *My first provisional decision*

After considering the evidence, I issued a provisional decision to Mrs W and Vanquis on 13 September 2021. In summary I said that although it was reasonable of Vanquis to offer Mrs W a credit card when she first applied; I didn't consider it carried out adequate affordability checks before offering to increase Mrs W's credit limit in September 2019.

I made this assessment based on several factors:

- The amount of unsecured debt had increased by more than £2,700 since 2014 and the number of accounts open had increased by 13
- Mrs W had exceeded her credit card limit in the months leading up to Vanquis offering the credit limit increase
- Mrs W had used her credit card to withdraw small amounts of cash indicating she might be in financial difficulties
- Mrs W had a history of only making the minimum repayment.

I thought that with better checks, Vanquis would've seen that Mrs W had taken out high cost credit shortly before it increased her credit limit. And that if this had been the case, Vanquis would've wanted to find out more about Mrs W's financial situation. But as I didn't have evidence at the time of what better checks would've revealed, I wasn't able to uphold the

complaint.

I did however say that if Mrs W could give this service details of her financial circumstances around the time of the credit limit increase, this might change the outcome of her complaint.

Vanquis responded to my first provisional decision to say that although Mrs W's external debt figure had risen, it was over a period of five and half years. Vanquis also pointed out that Mrs W had managed to reduce the amount of debt from almost £6,800 to £3,740 by September 2019.

Vanquis said that according to her credit data, Mrs W had only been in arrears on five occasions between February 2016 and September 2019. And a previously defaulted debt had been repaid by March 2018.

Vanquis said that it had obtained income and expenditure information from Mrs W which showed a net monthly income of £2,380 and living and housing costs of £853. Taken with her anticipated debt repayments, Vanquis assessed Mrs W's monthly expenditure as around £1,193. So, it thought that obtaining further information on top of the income and expenditure data would have been disproportionate.

Mrs W gave this service some bank statements from the months leading up to Vanquis' offer to increase her credit limit.

#### *My second provisional decision*

As Mrs W gave this service some bank statements, I reconsidered her complaint as I said I would do in my first provisional decision. I issued my second provisional decision on 15 December 2021.

In summary, I said that despite Vanquis's comments about carrying out adequate checks, I thought it should still have done more to assess whether the increased credit limit would be affordable to Mrs W.

From looking at Mrs W's bank statements, I could see that she had regular monthly outgoings on credit, utilities, rent, catalogue accounts and high cost credit loans of around £1,040 against a monthly income of about £1,300, leaving very little left for everyday living costs. Particularly as she told Vanquis that she had a dependant living with her.

Vanquis recorded a net monthly income of £2,380 which included £1,000 of household income. But I wasn't persuaded that Vanquis asked enough questions to determine whether that income was available to Mrs W for the repayment of the credit.

From looking at Mrs W's credit card statements with Vanquis, once the increase in credit limit was applied to her account, she continued to use the account to make cash withdrawals. And a few months later, Mrs W had reached her credit limit.

I considered it likely that with better checks, Vanquis would've seen that Mrs W couldn't afford her repayments in a sustainable way. Particularly as Vanquis would've discovered that Mrs W was borrowing from at least four high cost credit providers in the months leading up to the credit limit increase. Again, a strong indication that Mrs W wasn't managing her finances and couldn't afford to take on more credit.

I thought if Vanquis had carried out the kinds of checks I considered were reasonable and proportionate at the time, it wouldn't have agreed to increase Mrs W's credit limit in 2019. As

I intended upholding Mrs W's complaint in part, I set out what Vanquis should do to put things right.

### **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.

Neither Mrs W nor Vanquis made any further comments in response to my second provisional decision. In the circumstances, I still consider it reasonable to make my final decision along the same lines.

### **Putting things right**

To put things right, Vanquis Bank Limited should:

- Rework the credit card account so that all interest and fees that arose because of the credit limit increase in 2019 are removed. Any interest after that date can only be charged on the balance outstanding before the credit limit increase was applied.

AND

- If an outstanding debit balance remains after the account has been reworked, Vanquis Bank Limited should seek to agree a suitable repayment plan with Mrs W. And Vanquis Bank Limited should amend the balance outstanding recorded with the credit reference agencies for the period since it increased the credit limit.

OR

- If there is no outstanding balance after the account has been reworked, Vanquis Bank Limited should pay any credit balance in the account to Mrs W with 8% interest on that balance. In these circumstances, any negative information recorded with the credit reference agencies after the credit limit increase in 2019 should also be removed.

### **My final decision**

My decision is that I uphold Mrs W's complaint in part. In full and final settlement, I require Vanquis Bank Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 15 February 2022.

Gemma Bowen  
**Ombudsman**