

The complaint

Miss M complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card and later increased the credit limit.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

In August 2016 Miss M submitted a credit card application to Vanquis online. The application was later reviewed between Miss M and Vanquis over the phone. In the application, Miss M said she was employed part time with an income of £580 a month. Miss M also confirmed she received child maintenance and benefits payments of around £250 a month. Vanquis said Miss M's income was £9,888 a year and she said there was a total household income of around £28,000. Miss M confirmed she has three dependents. Vanquis approved the application and a £500 credit limit.

In January 2017 Vanquis increased the credit limit to £1,000 and in December 2017 it went up to £1,750.

Miss M fell behind with her payments and the credit card was closed by Vanquis in May 2018 and a default was recorded on her credit file. Vanquis later amended the default date to August 2018.

Miss M went on to complain that Vanquis had lent irresponsibly. Vanquis issued a final response but didn't agree it had lent irresponsibly. An investigator at this service looked at Miss M's complaint but thought Vanquis had dealt with it fairly. Miss M asked to appeal, so her complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Miss M could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- *The amount of credit;*
- *The total sum repayable and the size of regular repayments;*
- *The duration of the agreement;*
- *The costs of the credit; and*
- *The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.

I've reached a different view to the investigator concerning whether Vanquis carried out proportionate checks. Having looked at Miss M's original application and listened to the call I think there were clear signs Miss M would struggle to maintain further credit that Vanquis should've picked up on. In my view, that led Vanquis to lend irresponsibly. I'll explain why.

Listening to Miss M's application, she confirmed her part time income was around £500 a month. Miss M said she also received child maintenance of around £250 which was included in her income figure. In addition, Miss M said there was a total household income of around £28,000 (including hers) but Vanquis didn't ask any questions about her partner's employment or income. I'm not persuaded Vanquis' decision to use an income figure of £28,000 was reasonable when assessing Miss M's application. At least £250 a month was meant for child maintenance. Vanquis didn't ask Miss M about the ages of her children or how long she would receive this income. In addition, the overwhelming majority of the income figure Vanquis used came from someone else. If Vanquis wanted to use someone else's income to base its lending decision, I think it should've found out more about their circumstances.

I also think it's reasonable to note that Miss M told Vanquis she has three dependents. Although Vanquis asked Miss M to confirm her monthly rent figure, it didn't ask about other regular expenses. As Vanquis was aware Miss M had a reasonably modest income and three dependents, I think it should've caused it to carry out more comprehensive checks before deciding whether to proceed.

There were a range of items Vanquis could've asked for. As I've noted above, there's no set approach when considering an application. Vanquis could've asked for bank statements or evidence of Miss M's income for instance. Miss M has forwarded her bank statements covering the period before her application was completed. I've looked at them and whilst they show Miss M's income was broadly in line with what she told Vanquis, they also show outgoings that meant it was unlikely she would be able to support further borrowing. In my view, Vanquis lent irresponsibly when it approved Miss M's credit card.

It follows that if I think the card was irresponsibly approved, I think the following credit limits were also irresponsibly approved. I note that prior to each credit increase, Miss M's unsecured credit had also grown. By the time Vanquis increased the credit limit to £1,750 in December 2017 Miss M's outstanding unsecured credit figure had increased from around £3,000 from when she first applied to around £7,000. An increase of around £4,000 in a period of 15 months. In addition to the above, I think the increase in unsecured lending should've caused Vanquis to carry out better checks.

I'm provisionally upholding Miss M's complaint as I think Vanquis lent irresponsibly when it approved her credit card and later increased the credit limit. As a result, I intend to direct Vanquis to refund all interest, fees 's credit card from inception to the date of settlement.

It wouldn't be fair to Vanquis to report adverse information on Miss M's credit about a debt that was lent irresponsibly. So I also intend all adverse information, including arrears, from Miss M's credit file.

I asked both parties to respond with any further comments or information they wanted me to consider before making my final decision. Miss M responded and confirmed she had no further points to add. Vanquis confirmed it was willing to accept the provisional 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.

As neither party has provided new information for me to consider I see no reason to change the conclusions I reached in my provisional decision. I still think Miss M's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold this complaint and direct Vanquis Bank Limited to settle as follows:

- Refund all interest, fees and charges applied to Miss M's credit card from inception to the date of settlement
- Any remaining balance should not be subject to further interest. If it hasn't done so already, Vanquis should take steps to ensure an affordable repayment plan is discussed with Miss M. If the debt has been sold to a third party, Vanquis should take steps to either recover the account or work with the third party to put the settlement in place. Vanquis may need to consider purchasing the debt back
- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss M along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement
- Vanquis should amend Miss M's credit file to ensure no adverse information about its credit card is recorded

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 8 July 2022.

Marco Manente
Ombudsman