

## The complaint

Mr H says Vanquis Bank Limited ('Vanquis') irresponsibly lent to him.

## What happened

This complaint is about a credit card account Vanquis provided. The account was opened in April 2014. Mr H was given an initial credit limit of £500. This limit was increased on 11 August 2014 to £1,000, to £2,000 on 12 January 2015, to £3,000 on 11 June 2015, to £3,500 on 12 January 2016, and to £4,000 on 12 June 2017.

After the complaint came to us, Vanquis offered to uphold the complaint based on the last credit limit increase in June 2017. Mr H did not accept that and so our adjudicator considered the merits of the complaint.

Our adjudicator agreed with Vanquis and recommended Mr H's complaint be partially upheld. Our adjudicator thought the early credit was not unreasonably provided, but that Vanquis ought to have realised Mr H simply wasn't in a position to sustainably repay any further credit by the time it offered the increase to him when it raised the credit limit to £4,000 in June 2017. Mr H disagreed with our adjudicator, so the complaint has passed to me for a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Vanquis needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr H could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Vanquis should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Our adjudicator thought that the initial lending decision and the increases to the credit limit on the account were not examples of irresponsible lending until June 2017. I have reviewed the case in its entirety and have reached the same outcome as the adjudicator and for the same reasons. I haven't seen anything to make me think Vanquis should have been concerned about Mr H's ability to afford the limits given before the increase in June 2017. I explain why I say that.

Mr H's complaint is that Vanquis made credit available that was unaffordable. Vanquis has explained that it carried out a credit check using a credit agency to determine the amount of credit it was able to offer. It's possible that Vanquis failed to make adequate checks before providing Mr H with credit. But even if that's true, I don't think better enquiries would have caused Vanquis to think the credit was unaffordable.

I say this because Mr H told Vanquis that he earned a good salary. Mr H's bank statements show that Mr H's account enjoyed an income that was both regular and not modest. And the statements suggest that whatever other monthly commitments Mr H may have had, including other credit, the total income each month was roughly the same as his monthly expenditure and his account was managed with a largely positive balance. In other words, Mr O's current account shows evidence of someone managing their finances well.

Vanquis told us that their checks suggested that until June 2017 Mr H's other borrowings, outside of this credit card and his mortgage, were largely modest. And I have been shown no issues with Mr H's credit history that would have alerted Vanquis that Mr H was not managing his other credit, such that further lending should be curtailed. And Vanquis also told us that Mr H's management of his credit card account with them was largely unblemished by late or missing payments and stayed within the credit limits. So, I have seen insufficient evidence that better information would have put Vanquis off from providing the credit it did on Mr H's credit card.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Mr H to the contrary, I have seen insufficient evidence to think that a more thorough affordability check would have led Vanquis to think that the credit it provided Mr H was unreasonable. Further, I'm not persuaded that what Vanquis could see of his management of other credit ought to have prompted it to have acted differently than it did.

Until the credit limit increase in June 2017 that is.

At that time, Mr H's other borrowings, outside of his mortgage and this credit card, had grown by over £10,000. And shortly before the credit limit increase, Mr H had doubled to 10 the number of active credit accounts he had. So, considering the size of this credit at that time, Vanquis feel that they should have made more thorough checks on Mr H's financial situation before making the credit limit increase from £3,500 to £4,000 on 12 June 2017. And I agree.

It follows that Vanquis should put things right.

### **Putting things right**

Vanquis should:

- Rework Mr H's account to ensure that from 12 June 2017 onwards interest is only charged on balances up to the total credit limit of £3,500, (being the credit limit in place before that date) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Vanquis should contact Mr H to arrange an affordable repayment plan for this account. Once Mr H has repaid the outstanding balance, it should remove any adverse information recorded on Mr H's credit file from 12 June 2017 onwards.

OR

- 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 Mr H's IVA Practitioner, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Vanquis should also remove any adverse information from Mr H's credit file from 12 June 2017.†

†HM Revenue & Customs requires Vanquis to take off tax from this interest. Vanquis must give Mr H a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons set out, I'm partially upholding Mr H's complaint. Vanquis Bank Limited should put things right in the way 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 8 February 2023.

Douglas Sayers

**Ombudsman**