

The complaint

Mrs C complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

In February 2013 Mrs C applied for a credit card with Vanquis. In the application, Mrs C said she was a tenant and had an income of £15,000 a year. Vanquis carried out a credit search and says it found £100 of unsecured debt in Mrs C's name with evidence of a default that was around five years old at the point of application. Vanquis says the application met its lending criteria and approved a credit limit of £500.

Vanquis went on to increase Mrs C's credit limit on several occasions as follows:

June 2013 £500-£1,000
November 2013 £1,000-£1,750
November 2014 £1,750-£2,500
June 2015 £2,500-£3,000
June 2016 £3,000-£3,500
November 2017 £3,500-£4,000

Vanquis says that it looked at Mrs C's credit file, account history and applied its lending criteria on each occasion before increasing the credit limit on her credit card.

Last year, Mrs C complained to Vanquis that it had lent irresponsibly when approving her credit card application and later increasing the credit limit on several occasions. Vanquis issued a final response and didn't uphold Mrs C's complaint. Vanquis said the application and credit limit increases had all been approved in line with its lending criteria and didn't agree it had lent irresponsibly.

Mr C went on to refer her complaint to this service and it was passed to an investigator. They upheld Mrs C's case and said that whilst they weren't persuaded Vanquis had lent irresponsibly when it approved her credit card and increased the credit limit to £1,750, they thought the decision to increase the credit limit further was unreasonable. The investigator recommended that Vanquis refund all interest, fees and charges applied to Mrs C's credit card over £1,750 from November 2014 onwards.

Vanquis accepted the investigator's view but Mrs C asked to appeal. Mrs C said she was on benefits at the point of applying for her credit card and that if Vanquis had carried out better checks it would've found it wasn't affordable for her. As Mrs C asked to appeal, her complaint has been passed to me to make 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Mrs C applied for the credit card in February 2013 and provided some details about her circumstances at the time. Mrs C said she was a tenant and had an income of £15,000. I understand Mrs C's explained she was in receipt of benefit income when she applied. But I'm satisfied Vanquis was aware of that and looked at the level of income she gave in the application when considering whether it could approve the application. I also think it's fair to note that Vanquis completed a credit check that found a low level of unsecured debt of around £100. Taking all the available information into account, I'm satisfied Vanquis carried out reasonable and proportionate checks when assessing Mrs C's credit card application. I haven't been persuaded that Vanquis lent irresponsibly at this point.

The credit limit was increased in June and November 2013, reaching £1,750. I can see that on both occasions Vanquis looked at Mrs C's account history and found she had been making payments in excess of the minimum required amount. In addition, there was no new adverse information on Mrs C's credit file indicating she was in financial difficulties. I haven't seen anything that would've led Vanquis to think Mrs C was struggling to maintain payments or that the increases in her credit limit were irresponsibly approved. I'm satisfied Vanquis completed proportionate checks when increasing Mrs C's credit limit to £1,750.

Vanquis increased Mrs C's credit limit again in November 2014, this time to £2,500. Looking at Mrs C's account history, she was close to her credit limit for a significant period. On two occasions in the six months before November 2014 Mrs C was charged for being over her agreed credit limit. I also think it's fair to note that by this point Mrs C's application had been made over three years earlier. And there's no evidence Vanquis had sought information from Mrs C, updating her circumstances. In my view, the above factors should've been enough to cause Vanquis to carry out some further checks to ensure increased borrowing was sustainable for Mrs C.

Our investigator upheld Mrs C's complaint on a similar basis and asked Vanquis to refund all interest, fees and charges applied to her credit card on balances over £1,750 from November 2014. Vanquis responded to say it accepts. As Vanquis has accepted the borrowing over £1,750 shouldn't have been approved, I'm not going to make any further findings on the later credit limit increases. It stands to reason that if I think the increase to £2,500 was irresponsibly, the same goes for further increases.

As I'm satisfied the credit limit increases from November 2014 onwards were irresponsibly approved, I'm upholding Mrs C's complaint.

My final decision

My decision is that I uphold Mrs C's complaint and direct Vanquis Bank Limited to settle as follows:

- Rework the account removing all interest, fees, charges and insurance (not already refunded) that have been applied to balances above £1,750

- If the rework results in a credit balance, this should be refunded to Mrs C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Vanquis should also remove all adverse information recorded after 19 November 2014 regarding the account from Mrs C's credit file
- Or, if after the rework the outstanding balance still exceeds £1,750, Vanquis should arrange an affordable repayment plan with Mrs C for the remaining amount. Once Mrs C has cleared the outstanding balance, any adverse information recorded after 19 November 2014 in relation to the account should be removed from her credit file

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Mrs C a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 28 June 2023.

Marco Manente
Ombudsman