

The complaint

Miss M, through a representative, says Vanquis Bank Limited irresponsibly lent to her.

What happened

Miss M took out a credit card in September 2017 with a £250 limit. Vanquis increased this to £500 in February 2018, then to £1,250 in July 2018 and to £2,250 in March 2019.

Miss M says Vanquis should not have lent to her. Vanquis says it completed proportionate checks each time it lent and they did not show Miss M would be unable to afford the lending.

Our investigator did not uphold Miss M's complaint. She said the checks were proportionate for the initial application and the first increase and Vanquis made fair lending decisions. She did not find the checks were proportionate for the second and third limit increases, but concluded that further checks would not have shown the increases to be unaffordable.

Unhappy with this assessment Miss M asked for an ombudsman's review. She said the investigator had initially upheld her complaint, noting she was always overdrawn and incurring monthly fees.

I reached a different conclusion to the investigator so I issued a provisional decision to allow both parties to comment. An extract follows and forms part of this final decision.

Extract from my provisional decision

The initial application and first limit increase

I can see Vanquis asked Miss M for certain information – her annual income and employment status. She declared this to be £11,185 and that she was unemployed. It carried out a credit check to understand her existing commitments and credit history. From these checks combined it concluded Miss M could afford the card and a £250 limit. Given this level of credit, and the fact Miss had a very low level of debt elsewhere (£442) and no adverse information such as defaults or CCJs (County Court Judgments) on her credit check I think this was a fair decision.

Before increasing Miss M's limit to £500 Vanquis re-checked Miss M's credit file and reviewed how she had been managing her account. From the information it has shared I cannot see there were any indicators that she would be unable to afford the increased repayments should she use all her limit.

It follows I find Vanquis' first two lending decisions were fair.

The second limit increase

This time Vanquis increased Miss M's limit to five times her opening limit. It had not verified her income since account opening and its credit check showed her external debt had over doubled in the last 12 months. And Miss M's income as declared in September 2017 was

relatively low. So, in the round, I think Vanquis ought to have completed a fuller financial review to get the assurances it needed Miss M would be able to sustainably repay the increase in credit. I cannot see that relying on her internal and external repayment history was a reasonable way to check she could afford a much higher limit – without doing better checks to understand her actual income and outgoings.

In cases such as these we look at bank statements from the months prior to the increase. I am not saying Vanquis had to do exactly this but it is a reliable way for me to recreate what better checks would most likely have shown Vanquis. The statements show Miss M was persistently reliant on her overdraft through the month and was not using it in the way it is intended. Her overdraft was also gradually increasing in value each month. By this point it was around 65% of Miss M's monthly income. This means Miss M was not in a position to take on any additional debt as she would most likely have to borrow (by using her overdraft facility) to repay it – so she could not sustainably repay the increased limit. And had Vanquis completed proportionate checks it would most likely have learnt this.

I have applied the same approach to the third increase and the bank statements show Miss M's finances had not stabilised at this stage so Vanquis was wrong to increase the limit again. It did not have sufficient information to conclude the increase would not cause financial harm to Miss M.

Vanquis argues that the income and expenditure checks it did for the third increase showed she had surplus income – but these were not based on actuals, and I find by this stage they should have been for the reasons set out above.

It follows I find Vanquis was wrong to increase Miss M's limit from £500.

I have not seen any evidence Vanquis acted unfairly towards Miss M in some other way.

I then set out what Vanquis would need to do to put things right. I asked the parties to send any comments by 14 November 2023.

They both responded before this deadline. Vanquis said it had no further comments. Miss M accepted my 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.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

As neither party sent in any comments or new information I have no reason to change the findings or outcome I set out in my provisional decision.

So for the reasons set out above, I find Vanquis was wrong to increase Miss M's limit from £500.

Putting things right

As Miss M has had the benefit of the money lent to her it is fair she should repay the capital borrowed, but she has also paid interest and charges on two limit increases that should not

have been given.

So Vanquis should:

1. Refund all the interest and charges Miss M has paid on balances above £500 from 4 July 2018 onwards.
2. If the borrowing is still in place, you should reduce the outstanding capital balance by the amount calculated at step 1.
3. If, after step 2, there remains an outstanding capital balance, you should ensure that it isn't subject to any historic or future interest and/or charges. But if step 2 leads to a positive balance, the amount in question should be given back to Miss M and 8% simple interest* should be added to the surplus.
4. Once Miss M has cleared any outstanding capital balance, any adverse information recorded after 4 July 2018 in relation to the account should be removed from her credit file.

*HM Revenue & Customs may require Vanquis to take off tax from this interest. If it does, Vanquis must give Miss M a certificate showing how much tax it's 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.

My final decision

I am upholding Miss M's complaint in part. Vanquis Bank Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 6 December 2023.

Rebecca Connelley
Ombudsman