

The complaint

Miss R complains that Vanquis Bank Limited was irresponsible in its lending to her. She wants all interest and charges applied to her account refunded along with compensatory interest. She also wants compensation for the way her complaint has been handled and the time taken.

Miss R is represented by a third party but for ease of reference I have referred to Miss R throughout this decision.

What happened

Miss R was provided with a Vanquis credit card in 2019. The initial credit limit was £1,000 and this was increased on four occasions resulting in a credit limit of £3,250 in June 2021.

Miss R says that credit provided by Vanquis wasn't affordable, that she was only able to make the minimum repayments and that she needed to take out additional lending to pay for the credit. Miss R doesn't accept that adequate checks were carried out before the lending was provided and says that had they been Vanquis would have seen she was struggling financially and had multiple other borrowings and arrears on her accounts.

Vanquis didn't uphold Miss R's complaint. It said that before lending it carried out all required checks and these didn't reveal anything that suggested the lending to be irresponsible.

Miss R wasn't satisfied with Vanquis' response and referred her complaint to this service.

Our investigator upheld this complaint. She noted the information on Miss R's credit file and the credit limit compared to her income and thought that Vanquis needed to fully understand Miss R's financial circumstances before lending. She noted the information contained in Miss R's bank statements and based on this and the other information available she didn't think the lending was responsible. She recommended that all interest, fees and charges be removed from Miss R's account.

Our investigator noted Miss R's comment about compensation for the way her complaint was handled. She considered when Miss R had raised her complaint with Vanquis and the response provided to this and didn't think further compensation was required.

Miss R accepted our investigator's view but because Vanquis didn't respond, this case has been passed to me, an ombudsman, to issue 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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess

creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the credit card was provided, Vanquis gathered information about Miss R's employment and income, her residential status and dependents. Miss R said her annual income was £14,500 with monthly housing costs of £550. A credit search was carried out which showed she had accounts in default including an account that defaulted seven months prior to the application. The credit search also showed that Miss R had arrears on other accounts.

I find that the credit check results showed that Miss R had been struggling financially which raises concerns about providing her with further credit. So, before any credit was provided, I think that Vanquis needed to undertake a thorough review of Miss R's financial circumstances to understand if her situation was improving and whether the credit would be sustainably affordable for her.

Miss R has provided copies of her bank statements for the months leading up to the credit card being provided. These show that her monthly income (including benefits) averaged around £1,550. She was paying housing costs of £550 a month and had other associated housing costs as well as making payments towards her debts. Looking at Miss R's statements for the months leading up to the credit card being provided, her regular average monthly expenses for housing, utilities, debt repayments, food and transport totalled around £1,550. This left no remaining income for other general living costs and so I do not find that Vanquis should have considered providing credit to Miss R at this time as being sustainably affordable.

I note Miss R's comment about compensation for how her complaint was dealt with. But having looked at the complaint raised, and the timings involved I do not find that compensation is required for this.

In conclusion, given Miss R's credit history and what would have been identified through a thorough affordability assessment, I do not think that Vanquis should have provided Miss R with a credit card account in 2019 with an initial credit limit of £1,000. Because of this I am upholding this complaint.

Putting things right

Vanquis should:

- Rework Miss R's account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances.
- If the rework results in a credit balance, this should be refunded to Miss R 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 about this account from Miss R's credit file.
- Or, if after the rework the outstanding balance still exceeds £0, Vanquis should arrange an affordable repayment plan with Miss R for the remaining amount. Once Miss R has cleared the outstanding balance, any adverse information recorded about this account should be removed from her credit file.

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must

give Miss R 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.

My final decision

My final decision is that I uphold this complaint. Vanquis Bank Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 29 May 2024.

Jane Archer
Ombudsman