

The complaint

Mr G complains that Vanquis Bank Limited (Vanquis) lent to him irresponsibly.

What happened

Mr G opened a credit card account with Vanquis in September 2015. The limits were then increased as shown:

Date	Limit
September 2015 (new card)	£500
June 2017	£1,500
April 2018	£2,250
May 2019	£3,000

In May 2020, the debt was passed to a debt collection agency (DCA).

Mr G complained. He said Vanquis couldn't have completed the necessary checks. He said his net income was £1,000 per month. Against that, his rent was £300 and other credit instalments (excluding Vanquis) were £400. After living expenses of £300, it was clear he couldn't afford the extra borrowing with Vanquis.

He therefore struggled with household bills and credit payments. He had to borrow money from other lenders to make ends meet. He says Vanquis didn't ask him any questions when increasing his limits.

Vanquis didn't uphold the complaint and said Mr G passed their credit checks. The bank said the issue of the card and the first limit increase couldn't be looked at as they were more than six years before Mr G complained. And looking at the limit increases in April 2018 and May 2019:

- The relevant proportionate checks were completed.
- There were no new County Court Judgements (CCJs) within the last six months.
- There wasn't any defaulted debt.
- External borrowing was modest at £1,955 (April 2018) and £2,258 (May 2019).
- Vanquis wrote to Mr G ahead of the increases and gave him the option of opting out, but he didn't.

Mr G brought his complaint to us. Our investigator upheld it. She said:

- She agreed the issue of the card and the first increase was out of jurisdiction under our rules – as they were more than six years before Mr G complained. She asked Mr G for more information about when he became aware there was a potential problem with the lending decisions. But, Mr G hadn't replied. So, she only looked at the final two increases.
- She could see that there was a CCJ for £575 – this was only eight months before the increase in April 2018 and 21 months before the last increase. Because of this, Vanquis should've asked more questions of Mr G, but didn't.
- She said Vanquis should refund interest on borrowing over £1,500 after April 2018.
- And arrange a suitable payment programme with Mr G for the remaining debt.
- Once the borrowing had been repaid, remove adverse information from his credit file recorded after April 2018.

Mr G accepted the findings. But Vanquis didn't respond, and so it has come to me as Ombudsman to make a final 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.

All lenders have an obligation to lend money responsibly. We have to check whether Vanquis acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

Having looked at Mr G's case and the checks that Vanquis made, I don't think they went far enough and should've checked further before increasing Mr G's limits. I say that as:

Limit increase - April 2018: £1,500 to £2,250:

Vanquis could see that Mr G had other debts of £1,955. Of itself, this is a modest amount and there weren't any arrears showing – so Mr G was making the necessary payments. But more importantly:

- There was a CCJ for £575 which had been registered only eight months before.
- Mr G had incurred an overlimit charge in September 2017; and two more late payment charges since that time.
- Up to April 2018, Mr G's limit utilisation was over 90%. This was high.
- In February 2017, Mr G had told Vanquis he was on sick leave and had a long-term illness. There's no more information on this recorded in Vanquis' records.

Putting all this together, there was enough information to suggest that Mr G was struggling and I consider Vanquis should reasonably have asked more questions of Mr G about his circumstances but didn't.

Limit increase - May 2019: £2,250 to £3,000:

Mr G had other debts of £2,258, and again he appeared to be making payments - as there weren't any arrears. But:

- The CCJ was still outstanding.
- Mr G had incurred another four late payment charges.
- His limit utilisation was consistently over 90%, and up to 97%.

Again, putting all this together, there was enough information to suggest that Mr G was struggling financially and I consider Vanquis should reasonably have asked more questions of Mr G, but didn't.

Mr G contacted Vanquis in February 2020 to say he was suffering from a mental condition and was working fewer hours, so his income was reduced also. After this, Vanquis defaulted the account and passed Mr G's debt to a DCA in May 2020.

Putting things right

Therefore, because Vanquis should have completed more checks, I'm persuaded that they should refund interest and any fees charged on borrowing over £1,500 after April 2018. And once the borrowing is repaid, then remove the default and any other adverse information from his credit file after the same date.

And I also think it's only fair that Vanquis organise a reasonable and mutually agreeable repayment programme for the remaining borrowing. Because Mr G's debt is with a DCA and the account was defaulted, and given he is in financial difficulty, this should be interest free until Vanquis assess that Mr G's financial situation improves.

My final decision

I uphold this complaint. Vanquis Bank Limited must:

- Refund interest and fees charged on borrowing over £1,500 after April 2018.
- Remove the default and other adverse information from Mr G's credit file added after April 2018.
- Agree a mutually satisfactory repayment programme for the remaining debt - interest

free while Mr G remains in financial difficulty.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 May 2024.

Martin Lord
Ombudsman