

The complaint

Mr B, through a representative, says Vanquis Bank Limited irresponsibly lent to him.

What happened

Mr B applied for a credit card from Vanquis in November 2018. It gave him a £500 credit limit that it then increased three times - in April 2019 to £1,250, in March 2021 to £2,250 and in March 2022 to £3,000.

Mr B says he should never have been given this unaffordable lending; he has not been treated fairly.

Our investigator upheld Mr B's complaint in part. He said Vanquis was not wrong to give the card with its £500 limit to Mr B. But it should not have increased his credit limit at any stage.

Mr B accepted this assessment. Vanquis did not reply so the complaint was passed to me 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.

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.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make fair lending decisions; and finally, did it treat Mr B unfairly in some other way.

Account opening & initial limit of £500

I can see Vanquis carried out certain checks prior to opening the account. It asked Mr B about his annual income and carried out a credit check to understand his credit commitments and repayment history. I think these checks were proportionate given the stage in the lending relationship and the amount of credit involved.

And I find Vanquis made a fair lending decision based on the information it gathered. Mr B declared an annual income of £24,000 and his active unsecured debt was around £1,200. He wasn't using an overdraft facility, or payday loans, at the time he applied. There was some adverse data on his file – but it wasn't current. Two CCJs (county court judgments) had been registered in 2013 and there were historic defaults, the most recent being just over a year ago. So whilst I don't think these were reasons to decline Mr B's application, I do think it was responsible for Vanquis to offer a low starting limit.

It follows I don't find Vanquis was wrong to open this account for Mr B and to allocate a £500 limit.

Credit limit increases

From the data Vanquis submitted it seems that for the first limit increase it relied on internal account management information and external credit data.

I'm not wholly persuaded these checks were proportionate given at the time of the first increase Mr B had only had his account for just over five months and Vanquis was looking to more than double his credit limit. However, I won't comment further on this as even with the information it had I don't think Vanquis made a fair lending decision. I'll explain why.

Vanquis knew Mr B had struggled with his finances in the past. So I think it ought to have been monitoring his account usage very carefully. And I think there were clear signs that Mr B was struggling to manage a £500 limit so I cannot see that it was fair to increase this.

Mr B had quickly maximised and exceeded his limit after account opening. Two of the transactions were cash withdrawals totalling almost half his limit. His credit utilisation at the time of the limit increase was 94%. He also had two overlimit fees and a late fee in the months leading up to the limit increase. The late fee was applied just a month before the limit increase. So in the round, I think Mr B's account management was such that Vanquis ought to have been concerned that extending more credit to Mr B would most likely put him at risk of financial harm.

It follows I find Vanquis was wrong to increase Mr B's limit beyond £500. Logically, this means I find all three limit increases were irresponsible based on the available evidence.

Putting things right

As I don't think Vanquis should have increased Mr B's credit limit from £500, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mr B has had the benefit of the money he spent on the account so I think he should pay this back.

Therefore, Vanquis should:

- Rework the account removing all interest, fees charges and insurance (not already refunded) that have been applied to balances above £500.
- If the rework results in a credit balance, this should be refunded to Mr B 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 22 April 2019 regarding this account from Mr B's credit file.
- Or, if after the rework the outstanding balance still exceeds £500, Vanquis should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared any outstanding balance, any adverse information recorded after 22 April 2019 in relation to the account should be removed from his credit file.

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

My final decision

I am upholding Mr B's complaint in part in relation to the credit limit increases. Vanquis Bank

Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 May 2024.

Rebecca Connelley
Ombudsman