

## **The complaint**

Mr R says Vanquis Bank Limited lent to him irresponsibly.

## **What happened**

This complaint relates to a loan Vanquis agreed for Mr R. But in order to explain my decision, I also need to refer to his credit card account with Vanquis which has been the subject of a similar complaint but resolved separately. Any references to the credit card are for background to provide the reader with an understanding of the full circumstances.

In February 2022, Mr R applied for and received a credit card from Vanquis. He told Vanquis that he was in recovery from a gambling addiction, so he didn't want access to cash and required a gambling block on the account. Vanquis acknowledged what he'd told it and said it could support him with that. His account was initially opened with a credit limit of £500 which, over time, was increased to £1,450.

In January 2023, Mr R applied for a loan of £1,900 to consolidate existing debts including £1,450 on his Vanquis credit card and the remainder going to other finance providers. It was to be repaid in 24 monthly repayments of £98.83. Vanquis agreed the loan but didn't reduce or cancel the limit on his credit card with it. So Mr R was able to spend again on the credit card and found himself in financial difficulty as a result. He complained to Vanquis saying he felt it had lent to him irresponsibly.

Vanquis looked into his complaint about this loan and agreed it had lent to him irresponsibly. It offered to rework the loan to ensure he paid no interest or charges leaving just the capital amount to repay. It calculated the balance to be repaid as £1,109.36 on 15 September 2023 - the date of its final response.

Mr R was unhappy with the resolution Vanquis proposed so he referred his complaint to us. One of our investigators looked into it. She said Vanquis's offer was in line with our usual approach and recommended Mr R accept it.

Mr R disagreed with our investigator. He said he felt the loan should be written off. As there was no agreement, the complaint has been passed to me for 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.

Having done so, I issued a provisional decision saying:

*“Mr R has provided a lot of detail to support his view that his loan should be written off. It's important to note that I have read and considered everything he's said but will refer to the points I consider to be key. Just because I don't refer directly to a point raised doesn't mean I've not considered it, but it reflects the informal nature of our service. To reiterate, this decision relates solely to Mr R's complaint about the loan – any mention of the credit card is*

*to help explain the rationale behind my decision.*

*It is agreed by all parties that Vanquis shouldn't have given the loan to Mr R, so I'll focus my decision on the remaining dispute - whether Vanquis should write off the remaining loan balance. The offer Vanquis has made so far – to rework the account so Mr R only repays the capital of the loan – is broadly in line with our usual approach. But our role is to consider each case on an individual basis which is what I've done here.*

*Mr R began an application for a credit card in February 2022. At the application stage, he explained that he was in recovery from a gambling addiction. He'd been made bankrupt as a result of debts accrued due to that addiction. Mr R told Vanquis that if he took the credit card, he didn't want to be able to gamble through it or to have access to cash and Vanquis acknowledged that. It is clear that from the outset, Vanquis knew it was dealing with a vulnerable consumer.*

*However, having acknowledged Mr R's comments, Vanquis told Mr R that it was unable to prevent access to cash, so he asked for his application to be terminated. Despite this, Vanquis went on to open the account and sent a card to Mr R which he used. Vanquis then went on to increase his credit limit and promote cash advances via promotional emails.*

*Mr R fell into difficulty managing the card after his limit had been increased to £1,450. He applied for a consolidation loan in January 2023 (less than a year after the card was opened) to repay the card and a couple of other debts – a total of £1,900. The loan was agreed, but the credit card and limit remained in place. Mr R spent up to the limit again.*

*I've thought carefully about the overall situation for Mr R and how it affects his loan complaint.*

- It's not in dispute that Vanquis knew it was dealing with a vulnerable consumer and that it knew its account offering wasn't suitable for him. But since then, within a year it had almost tripled his credit limit. When he fell into trouble, it agreed a loan to clear the borrowing, but failed to remove the limit, allowing him to spend again.*
- If Vanquis had complied with Mr R's request to cancel the application (or had closed the account if it was too late to do so), Mr R wouldn't have been able to spend money he didn't have and wouldn't have found himself in the position of having to borrow to repay the limit.*
- I acknowledge that ultimately, Mr R spent the money which ended up being refinanced on to the loan, so ordinarily we'd say it is right he should repay it. But he shouldn't have been in a position to spend the money in the first place had his instructions to cancel the application been actioned.*

*Overall, if Vanquis had acted as it should at the outset and cancelled the application when he requested (or closed the account if it was too late) Mr R would not have had the opportunity to run up the debts he has.*

### **Putting things right**

*I've already explained that Vanquis' offer so far is in line with our usual approach, but in the particular circumstances of this complaint, I don't think it goes far enough. I say this because Mr R has found himself with debts as a result of Vanquis failing to action his instruction not to proceed with his application despite knowing he was vulnerable. It then increased his limit and sent him promotional emails about cash advances even though it knew he'd specifically asked not to be able to access cash. Following consolidation it didn't reduce or remove the limit allowing him to spend the money all over again.*

*Mr R has asked for the entire loan to be written off and all his payments returned to him along with 8% interest. But I don't think that would be entirely fair either. I say that because Mr R used part of the loan to repay debts he'd accrued elsewhere and would have had to repay anyway.*

*Having thought carefully about the situation, I think Vanquis should:*

- *rework the loan to remove interest and charges leaving just the capital.*
- *treat all his payments up to the date of its final response (15 September 2023) as repayments of the amount borrowed.*
- *write off the loan from the date of its final response with nothing further to pay (Vanquis quoted £1,109.36 in its response of 15 September 2023).*
- *refund any payments Mr R made to the loan after 15 September 2023 along with 8% interest from the date they were made to the date of settlement.\**
- *remove any mention of this loan from his credit file.*

*\*If Vanquis considers that it's required by HM Revenue & Customs (HMRC) to deduct income tax from that interest, it should tell Mr R how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HMRC if appropriate."*

Both Vanquis and Mr R have accepted my provisional decision, so I see no reason to depart from it.

### **My final decision**

My final decision is that I uphold this complaint. Vanquis Bank Limited must put matters right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 12 June 2024.

Richard Hale  
**Ombudsman**