

## The complaint

Miss H says Vanquis Bank Limited irresponsibly lent to her.

## What happened

Miss H applied for a credit card from Vanquis in July 2018. Her application was accepted and Vanquis gave her a £1,000 credit limit. It increased this to £2,500 in October 2019 and to £3,750 in October 2020.

Miss H says Vanquis should never have given her such a large credit limit – it quickly grew and she could not afford it. If Vanquis had properly checked her credit record it would have seen she had taken out a lot of other credit. This should have warned Vanquis she was struggling with her finances and by increasing her credit limit it made her financial position worse. Miss H would like a refund of all the interest she paid and any late payment charges after it increased her limit. She would also like any late payment and default markers to be removed from credit records after this point.

Vanquis says the correct checks were completed based on the amount of credit provided and there was nothing to suggest the lending was unaffordable.

Our investigator did not uphold Miss H's complaint. She reviewed all three lending decisions and said Vanquis' checks were not proportionate. But as Miss H has not provided bank statements she could not say whether better checks ought to have led to different lending decisions.

Miss H disagreed with this assessment and asked for an ombudsman's review. She said she has provided evidence that the current account she used at the time defaulted last August and is closed so she cannot get historic statements. This default in itself is evidence that she had too much debt which was exacerbated by Vanquis increasing her credit limits. In the absence of bank statements, she has provided proof of income for 2019/20 and 2020/21.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new information by 23 May 2024.

### *Extract from my provisional decision*

#### *Application and initial limit of £1,000*

*Prior to lending Vanquis gathered information about Miss H's income, her household income and current credit commitments. It also checked her credit history. Based on these checks combined it concluded Miss H could afford a credit limit of £1,000.*

*I am not satisfied these checks were proportionate. Vanquis was offering a not insignificant line of credit to Miss H and she had declared a relatively low income of £10,000 from part-time employment. It did not verify this. So I think it ought to have carried out better checks to understand Miss H's financial position. I cannot know what these would most likely have*

*shown as Miss H has been unable to provide bank statements from the time. And based on the information Vanquis did gather there is not enough for me to conclusively find it was wrong to lend. I say this as it understood Miss H had a monthly income of £833, £2,205 of existing debt, and no adverse data on her credit file.*

*It follows I cannot currently find Vanquis was wrong to open an account for Miss H and allocate a £1,000 limit. If Miss H can provide any evidence of her outgoings in the three months prior to application I will review them to see if they change this finding – I understand she was living with her parents at the time.*

#### **Credit limit increases**

*Prior to lending Vanquis gathered information about Miss H's income, her housing and living costs and her current credit commitments. It also checked her credit history. I cannot see it verified her income, nor am I clear about the source of the housing and living costs it used in its affordability assessment. It would be useful if it could confirm. Again I am not persuaded these checks were proportionate given the relationship between her income level and the credit lines offered.*

*Miss H has been able to provide evidence of her salary for the relevant periods. And even without bank statements to show her full financial position I can see the limit increases were not affordable. I'll explain why.*

*In 2019/20 Miss H earned £9,375.57 gross, so around £780 net a month. At the time of the first increase Vanquis' credit check showed she had debt totalling £3,905 – so this would cost around £195 a month assuming a 5% repayment of balances, to clear them in a reasonable time frame. So giving the additional £1,500 of credit meant Miss H would need to spend another £75 to make sustainable repayments each month - assuming full use of the additional limit. This means Miss H would need to spend over 40% of her income each month on her debt, a level at which Vanquis ought to have realised there was a risk she would struggle to manage her debt without borrowing to repay, or suffering some other financial harm.*

*In addition, Vanquis has said it understood Miss H's housing and living costs were £500 a month in October 2019. So had it at the least verified her income and deducted her housing, living and credit costs (£780 minus (£500 + £270)) it would have realised she would be left with just £10 disposable income. This is not responsible lending.*

*It follows I think Vanquis was wrong to increase Miss H's limit to £2,500. And unless Vanquis can evidence it completed a proportionate review that showed Miss H's financial position had improved, it was wrong to offer a further increase in October the following year.*

*Overall, I find Vanquis was irresponsible to increase Miss H's limit beyond £1,000. I have not seen any evidence Vanquis acted unfairly towards Miss H in some other way.*

I then set out what Vanquis would need to do to put things right.

Miss H replied saying she had nothing further to add and thought this outcome was fair. Vanquis did not respond.

#### **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 we have an inquisitorial remit I considered the initial lending decision as well as the limit increases.

To decide if Vanquis lent responsibly I needed to consider if its checks were proportionate; and if not what would better checks most likely have shown; did it make fair lending decisions and did it treat Miss H unfairly in some other way. My provisional findings are set out above.

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

It follows for the reasons set out above I find Vanquis was irresponsible to increase Miss H's limit beyond £1,000.

### **Putting things right**

As Miss H 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 H has paid on balances above £1,000 from 21 October 2019 onwards.
2. If the borrowing is still in place, Vanquis should reduce the outstanding capital balance by the amount calculated at step 1.
3. If, after step 2, there remains an outstanding capital balance, Vanquis 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 H and 8% simple interest\* should be added to the surplus.
4. Once Miss H has cleared any outstanding capital balance, any adverse information recorded after 21 October 2019 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 H 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 H's complaint in part from the time of first limit increase onwards.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 21 June 2024.

Rebecca Connelley  
**Ombudsman**