

The complaint

Miss S complains that Vanquis Bank Limited (“Vanquis”) acted irresponsibly when it gave her a credit card in August 2016, and subsequently increased her credit limit on six further occasions.

What happened

Miss S has been assisted in making her complaint by a firm of solicitors. But in this decision, for ease, I will simply refer to all communication as if it has been with, and from, Miss S herself.

Miss S applied for, and was granted, a credit card by Vanquis in August 2016. She was initially given a credit limit of £500. Her limit was increased on six further occasions as shown below;

Date	New Limit
23/01/2017	£1,000
22/06/2017	£1,750
03/01/2018	£2,250
22/06/2018	£3,000
03/01/2019	£3,500
22/07/2019	£4,000

Miss S closed her credit card account in August 2022.

Miss S’s complaint has been assessed by one of our investigators. She didn’t think the checks Vanquis had done, either when the credit card was first offered, or when any of the limit increases took place, had been proportionate. But from the information she held, the investigator said she couldn’t conclude Vanquis had been wrong to initially approve the credit card, or to agree the first two limit increases. But the investigator didn’t think the increases to the credit limit in and after January 2018 should have been agreed. So the investigator asked Vanquis to pay Miss S some compensation.

Miss S accepted that assessment. But, disappointingly, Vanquis didn’t reply. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Miss S accepts my decision it is legally binding on both parties.

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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding Miss S's complaint.

The rules and regulations at the time Vanquis gave this credit card to Miss S, and each time it increased her credit limit, required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check."

The checks had to be "borrower" focused – so Vanquis had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss S. In practice this meant that Vanquis had to ensure that making the repayments wouldn't cause Miss S undue difficulty or adverse consequences. In other words, it wasn't enough for Vanquis to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Miss S.

Checks also had to be "proportionate" to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Vanquis did what it needed to before agreeing to lend to Miss S.

Vanquis has shown us details of the information it gathered before deciding to give the credit card to Miss S. It asked her for details of her normal income. And it checked Miss S's credit file to see how much she owed to other lenders, and how she had managed her credit in the past. Those checks showed that Miss S had faced some problems managing her money in the past. She had four accounts that had been defaulted in the past, although it had been 16 months since the last of those problems occurred. Of the accounts that were open, Miss S appeared to have been managing her repayments without problems.

Experience shows that consumers who have faced problems managing their money in the past, will often face similar problems in the future. So, whilst I don't think the results of the credit check meant that Vanquis should decline Miss S's application outright, I do think it needed some further information before agreeing to provide the credit card. I don't think the checks Vanquis did were proportionate.

As Vanquis doesn't appear to have carried out what I consider to have been proportionate checks when it agreed the credit card, I can't say for sure what it would have found out had it done so. We asked Miss S to provide us with evidence of her financial circumstances at the time she applied for the card, so we could see what information Vanquis should've taken into account before agreeing to lend to her. Miss S hasn't given us the information we asked for, or an explanation why she can't provide it.

Our investigator explained why we need the information and the likely consequences of us not receiving it. Despite that, Miss S still hasn't given us what we asked for. So, I haven't been able to get a picture of what her financial circumstances were like when she applied for the credit card. That means I can't say that if Vanquis had completed sufficient checks it would've found that Miss S couldn't afford to make the required repayments.

And I think the same applies at the time of the first two increases in the credit limit. Vanquis appears to have monitored Miss S's credit file each month. And during the first year she had the credit card Miss S's finances appeared to be stable, or potentially improving. She had managed her repayments to Vanquis well. The outstanding balances on her defaulted accounts were reducing. And there was little, if any, evidence of Miss S taking any new credit. So, without additional evidence about her finances at that time, I cannot say that Vanquis was wrong to increase the credit limit on the card in January and June 2017.

But it seems Miss S started to again face problems managing her money later on in 2017. It seems she defaulted on two other accounts around September 2017. And over the following year her borrowing increased heavily. So given Miss S's past problems, and that it appeared those problems had reoccurred, I don't think it was reasonable for Vanquis to offer any further increases to Miss S's credit limit from September 2017 onwards. So I don't think the last four increases to the credit limit, as shown in the table earlier, should have been agreed. So I will ask Vanquis to pay Miss S some compensation.

For completeness I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with her might have been viewed as unfair by a court under s.140A of the Consumer Credit Act 1974. But, I'm satisfied the redress I am directing here results in fair compensation for Miss S in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

I don't think Vanquis should have agreed any increases to Miss S's credit limit after September 2017. So that means the increases above £1,750 (that first started in January 2018) should not have happened. I don't think it is fair that Vanquis should expect Miss S to pay interest, or any other charges, caused by balances above £1,750. But Miss S has had the benefit of the spending she has made on her credit card. So it is right that she should repay the money she has spent. In my directions below I have taken into account that Miss S fully repaid her borrowing from Vanquis and closed her account in 2022.

So, to put things right, Vanquis should;

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £1,750 after 3 January 2018.
- Any credit balance resulting from the rework should be refunded to Miss S along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement. HM Revenue & Customs requires Vanquis to take off tax from this

interest. Vanquis must give Miss S a certificate showing how much tax it's taken off if she asks for one.

- Vanquis should also remove any adverse information recorded after 3 January 2018 regarding this account from Miss S's credit file.

My final decision

My final decision is that I uphold part of Miss S's complaint and direct Vanquis Bank Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 19 July 2024.

Paul Reilly
Ombudsman