

The complaint

Mrs S complains that Vanquis bank Limited was irresponsible when it offered her a credit card account and later increased her credit limit.

What happened

Vanquis opened a credit card account for Mrs S in April 2020 with a credit limit of £1,000. It increased her credit limit to £1,750 in March 2022.

Mrs S complained to Vanquis in October 2023 that it had been irresponsible to provide her with credit. She didn't think Vanquis should have opened the account for her because she was having difficulties with her finances at the time. Mrs S said she was in a debt management plan administered by a national charity having recently defaulted on several accounts, and having reached her limits on others.

Vanquis said it makes its lending decisions according to strict criteria and had adhered to these when opening the account for Mrs S. However, it was unable to confirm that the credit limit increase in March 2022 was suitable for her and so it upheld this aspect of her complaint and offered her a refund of £354.87.

Mrs S declined this offer and referred her complaint to us. Our investigator assessed the complaint and agreed with the resolution Vanquis had proposed. They found that Vanquis wasn't irresponsible to have opened the account but should have done more to check the credit would be affordable for Mrs S before increasing her credit limit later on. Further checks then would likely have revealed that the credit was unaffordable.

Mrs S didn't agree with this recommendation and asked for the complaint to come to an ombudsman to decide. I issued a provisional decision to both parties on 14 May 2024 explaining why I was minded to uphold Mrs S's complaint in full. I shared the information I'd relied on and allowed time for any comments or new information from either party. Mrs S accepted my provisional decision but I've had no response from Vanquis.

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 looked at everything again and, having had no comments or new information from either party to consider, I see no reason to depart from my provisional conclusion. I'll set out again in this final decision my reasons for upholding Mrs S's complaint in full.

As before, I've had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Vanquis, need to abide by. Vanquis will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement or significantly increasing the credit limit, Vanquis needed to check that Mrs S could afford to repay the credit out of her usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Mrs S's particular circumstances and Vanquis needed to have proper regard to the outcome of its assessment in respect of affordability risk.

The overarching requirement was that Vanquis needed to pay due regard to Mrs S's interests and treat her fairly. CONC 2.2.2G gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did Vanquis complete reasonable and proportionate checks when it opened the account for Mrs S and later when it increased her limit to satisfy itself that she would be able to repay the credit offered within a reasonable period of time? If it didn't do this, what would reasonable and proportionate checks have shown? Was there anything of concern in the checks Vanquis conducted and did it make fair lending decisions?

Vanquis said Mrs S confirmed in her application in April 2020 that she was employed full time with an annual income of £29,205. Vanquis checked Mrs S's credit file and noted that there were no county court judgments entered against her and that she had not defaulted on any debt for nine months.

I've summarised some of the information Vanquis provided in the table below. Mrs S had three active accounts and five accounts which were reported as defaulted, four of which had defaulted within the last year.

Type	Start date	Settled date	Balance (Limit)	Default balance
Hire purchase	18/06/2018		£7,987	
Current account	10/01/2018		£401 (£499)	
Mail order	17/10/2013		£2,545 (£3,000)	
Credit/store card	24/03/2018	29/04/2019	£2,635	£2,785
Credit/store card	26/11/2014	31/05/2019	£4,552	£4,811
Credit/store card	13/04/2017	07/10/2018	£1,276	£1,446
Credit/store card	12/01/2018	12/08/2019	£2,193	£2,293
Credit/store card	19/06/2018	13/05/2019	£197	£252

Vanquis said that it was a "second-chance" lender and that levels of external lending and/or historic negative behaviour would not necessarily lead to an application being declined, although these factors were considered when assessing the level of credit to be granted. Vanquis said its checks were proportionate to the modest amount of £1,000 it offered to Mrs S, and that it wasn't irresponsible to have agreed this.

Vanquis hasn't said whether or not it independently verified the income figure Mrs S gave. In any event, I think the information Vanquis saw on Mrs S's credit file ought to have led it to decline to lend to Mrs S even without carrying out further checks.

The information showed that Mrs S was using over 80% of her overdraft and her mail order credit and hadn't meet her repayments for four credit accounts within the last year. I've noted what Vanquis said about its consideration of historic negative behaviour but I'm afraid I can't consider that these default markers on Mrs S's credit file were historic given they were

added within the year. And while I appreciate that Vanquis considered that it was offering Mrs S a modest amount of credit, the balance on one of the accounts Mrs S defaulted on was significantly less than this.

CONC 5.2A.25G states that potential indicators that the level of affordability risk arising out the agreement may be high include circumstances where there is a high likelihood that the customer will not make repayments under the agreement by their due dates. I think Vanquis should have seen from its assessment that there was a high likelihood Mrs S would be unable to meet her repayments for this new account without difficulty given how she'd recently managed several other accounts. I don't think it treated Mrs S fairly and with due regard to her interests when it opened this account for her in the first instance.

A month after increasing the credit limit in March 2022, Vanquis sent Mrs S a regulatory letter as it was required to do because the account was considered to have been in persistent debt for 18 months. In other words, Mrs S had been paying more interest than she'd been paying towards reducing her balance in that period. Vanquis sent her another such letter in November 2023. The outstanding debt was sold to a third-party debt collector in January 2024.

I think it's clear that Mrs S didn't manage to meet her repayments for the credit without difficulty and within a reasonable period of time. She lost out by paying interest and charges and potentially had negative information reported on her credit file. I am upholding Mrs S's complaint in full and propose that Vanquis takes the below steps to put things right for her.

Putting things right

As per our usual approach I think it's fair that Mrs S repays the money she spent as she's had the use of this but she shouldn't pay any interest, fees or charges associated with the account or have her credit file impacted. Therefore, Vanquis should:

- Rework the account removing all interest, charges or insurance premiums (that haven't already been repaid) that have been applied from the beginning;
- If the rework results in a credit balance, this should be refunded to Mrs S 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 regarding this account from Mrs S's credit file.
- Or, if after the rework, there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mrs S for the remaining amount. Once Mrs S has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

Vanquis might need to buy back the debt it sold or work with the current debt owner to bring about the above steps.

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Mrs S a certificate showing how much tax has been taken off if she asks for one.

My final decision

For the reasons I've set out above I am upholding Mrs S's complaint about Vanquis Bank Limited and it now needs to take the above steps to put things right for her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 10 July 2024.

Michelle Boundy
Ombudsman