

The complaint

Mr H has complained that Vanquis Bank Limited ("Vanquis"), irresponsibly granted him a credit card account, which he couldn't afford to repay.

What happened

Mr H took out a credit card with Vanquis in January 2013, with an initial credit limit of £500.

There were credit limit increases as follows:

- 10 June 2013 - £1,000
- 11 November 2013 - £2,000
- 9 April 2014 - £3,000
- 10 November 2014 - £3,500
- 9 June 2016 - £4,000

The account is now closed.

Mr H said he thought Vanquis hadn't carried out reasonable and proportionate checks before granting the credit card, and he had multiple credit commitments at the time. So Mr H thinks that Vanquis should refund the interest and charges on the credit card along with interest.

Mr H complained to Vanquis, but it told Mr H that it did not uphold his complaint. He then brought his complaint to this service. Our investigator looked into it, and thought it should be upheld. Vanquis didn't respond to our investigator's view, so the complaint has come to me for review.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I've taken this into account here.

I've decided to uphold Mr H's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering things such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. So I've considered whether Vanquis completed reasonable and proportionate checks to satisfy itself that Mr H would be able to make the repayments on the credit card account in a sustainable way.

Vanquis said that, because of the age of the account, the information it could provide was limited. Nonetheless, it was able to send in details of the transactions and balances on the card, together with information about Mr H's credit history and notes of its contact with Mr H. It had also recorded Mr H's income as £17,000.

I consider that reviewing Mr H's income and credit history were reasonable checks based on the amount and type of credit being offered. So the next step is to look at whether Vanquis acted fairly in granting the credit.

Based on the information about Mr H's credit history, I don't think it did. I say this because the credit check shows several credit commitments with outstanding balances of just under £23,800, some of which appear to be default balances. A mortgage is also shown, although it's not clear whether payments on that were up to date.

The most recent defaults seem to have been registered three years before Mr H applied for the card with Vanquis. But there were more recent arrears recorded, and as three accounts were shown as being over the credit limit, this does not suggest that Mr H's financial position had improved in the intervening period.

I also note that the amount of credit (excluding the mortgage) exceeded Mr H's annual salary. So from the limited information I have, it seems to me that Mr H was heavily overcommitted, and unlikely to be able to make repayments sustainably on a new source of credit (even at the low level Mr H was initially given).

So, as I stated above, I don't think Vanquis acted fairly in granting the credit, and therefore I am upholding this complaint. I should also say here that, because I don't think Vanquis should have approved the initial credit card application, I do not consider that I need to comment further on the subsequent credit limit increases.

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

Putting things right

As I don't think Vanquis ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr H should be responsible for the amount he borrowed. I understand that the balance has been repaid and the account closed, so Vanquis should:

- Rework the account removing all interest, fees, charges, and insurances (which have not already been refunded) that were applied.
- As the account has been settled, the resulting credit balance should be refunded to Mr H 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 Mr H's credit file.

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

My final decision

For the reasons I've explained, I've decided to uphold Mr H's complaint and to require Vanquis Bank Limited to compensate him as set out above.

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

Jan Ferrari
Ombudsman