

The complaint

Mrs H complains that Vanquis Bank Limited irresponsibly lent to her.

Mrs H is represented by a solicitors firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mrs H herself.

What happened

Mrs H was approved for a Vanquis credit card in October 2013 with a credit limit of £500. I have detailed the credit limit changes below:

February 2014	£500 to £1,000
July 2014	£1,000 to £2,000
July 2015	£2,000 to £3,000
February 2016	£3,000 to £3,500
September 2016	£3,500 to £4,000

Mrs H says that Vanquis irresponsibly lent to her. Mrs H made a complaint to Vanquis, who did not uphold her complaint, so Mrs H brought her complaint to our service.

Our investigator upheld Mrs H's complaint. He said that Vanquis recorded a household income of £22,000 at the point of application. He said Mrs H had £23,100 worth of defaulted finance (£20,800 being on credit card/store cards) so he didn't see how giving her this new line of credit was going to be fair. As Vanquis did not respond to his view of the complaint, the complaint was passed to me to make a decision on it.

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.

Before agreeing to approve or increase the credit available to Mrs H, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Vanquis credit card - initial credit limit (£500)

Vanquis collected the household income from Mrs H. But they did not record Mrs H's income. This field is blank on their data, even though she told Vanquis she was employed full time. So I would have expected Vanquis to make further checks to see what Mrs H's income was, as other members of her household would not be responsible for repaying any credit that that Mrs H would use. Vanquis would need to check that she alone could afford to meet the repayments, and that these were sustainable for her to make.

But there were indications from the data that Vanquis had that even any amount of credit may not be affordable or sustainable for her at the time she was approved for the account. I say this as the data from the credit reference agencies shows that Mrs H had £23,100 of unsecured debt which had defaulted. While the last default was registered 36 months prior to the approval of the Vanquis card, Mrs H would still be expected to repay this debt. So even a £500 initial credit limit would mean the total debt she would have would be over the annual household income, never mind Mrs H's individual income.

As so long has passed since the initial lending decision, if Mrs H sent me her credit file, this wouldn't cover this time period as this was over six years ago. Her bank would have no requirement to keep her bank statements going back 11 years ago. So I can't say what these would have shown if Vanquis had asked for these as part of a proportionate check.

But based on the information Vanquis did have, I'm not persuaded they made a fair lending decision to approve Mrs H for the initial £500 credit limit based on her indebtedness at the time of the application being more than the household income per year, no income recorded from Mrs H herself, and there being no indication she would be able to afford or sustain any further debt at this point in time.

I do note that Vanquis' checks show information from 2010 about a bankruptcy. But the same information shows that Mrs H had an arrangement. So it's not clear if Mrs H had been bankrupt or not. But as I'm persuaded that Vanquis did not make a fair lending decision regardless of this, then I've not looked into this in further detail as this will only prolong the outcome of this complaint. But if Mrs H has previously been made bankrupt, then she may need to declare any redress to the trustee in bankruptcy.

Credit limit increases

If Mrs H's application was not accepted, then none of the credit increases would have happened on this credit card either. I think there is an argument for saying that Mrs H's complaint about the subsequent lending decisions should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in October 2013, I'm not persuaded Mrs H would've been able to add to the credit (given that I'm persuaded the application for the credit card shouldn't have been approved). So it follows I'll be asking Vanquis to put things right for Mrs H.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mrs H 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

Our investigator has suggested that Vanquis reworks the account removing all interest, fees, charges and insurances, and if this results in a credit balance they should refund this to Mrs H with 8% interest per year and remove all adverse information regarding her account from her credit file, which I think is reasonable in the circumstances:

My final decision

I uphold this complaint. Vanquis Bank Limited should take the following actions:

Rework the account removing all interest, fees, charges, and insurances (not already

refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mrs 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 her credit file;

Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mrs H for the remaining amount. Once Mrs H has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*If Vanquis consider that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs H how much they've taken off. They should also give Mrs H a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

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

Gregory Sloanes
Ombudsman