

The complaint

Miss L complains that Vanquis Bank Limited lent to her in an irresponsible manner.

What happened

Miss L applied for, and was granted, a credit card by Vanquis in April 2018. She has subsequently had her credit limit raised five times, from its original value of £1,000 to a final limit of £5,000 in March 2023.

When Miss L complained to Vanquis she sent the firm evidence that she was in an IVA at the time of her original application. So she said that the firm shouldn't have agreed to provide additional credit to her. Vanquis agreed that the lending wasn't suitable for Miss L and agreed to refund all the interest and charges that she had paid on the credit card. It said it would offset that refund, amounting to £3,685.37, against the outstanding balance leaving Miss L to just repay the remaining capital she had borrowed of £1,863.03. It asked her to get in touch to agree a repayment plan for that balance and said that the repayment plan would stop any further interest being added to her account.

Miss L didn't think that offer was sufficient. She said that her circumstances meant that she couldn't afford to make any repayments on the account and that Vanquis should write off her entire outstanding balance. So she brought her complaint to us.

Miss L's complaint has been assessed by one of our investigators. He thought that what Vanquis had done was fair, and in line with what he would have recommended had he found the credit had been provided in an irresponsible manner. So he didn't think Vanquis needed to do anything further.

Miss L didn't agree with that assessment. 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.

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 has accepted that its lending wasn't suitable for Miss L. So, in this decision, I don't need to decide whether or not the credit should have been provided to her. Here I need to consider the actions that Vanquis has already taken to put things right, and whether it needs to go further.

I think it would first be helpful though to briefly reflect on why Vanquis has accepted it shouldn't have given the credit card to Miss L. Miss L has shown Vanquis that she was in an IVA at the time of her initial application for the card. But Vanquis has shown us the results of its credit checks at that time. And whilst those results show that Miss L had faced some

problems managing her money around two years earlier, she had very little in terms of recent borrowing.

Whilst past problems might be an indicator that a consumer might continue to find it difficult to manage their money, I don't think they suggest that all lending would automatically be inappropriate. Each lender would need to make their own assessment as to the current affordability of any credit that has been requested. So whilst Vanquis now accepts that its lending might not have been affordable for Miss L, I'm not persuaded that it was so reckless that I should depart from our normal approach to putting things right in circumstances such as these.

Where credit has been provided irresponsibly, my general approach is to ensure that a lender doesn't profit from that lending. But I cannot entirely wind back the clock, and a consumer will have benefitted from the lending in terms of the capital amounts that have been advanced. In circumstances such as we see here I would generally think it appropriate that any monies that have been lent should be repaid.

So to put things right I would generally expect a lender to refund any interest or charges that have been added to an account. And, in the case of a credit card that might mean an account would have been in credit from time to time as a result of those charges being removed. Here it seems that would have been the case for a short period of time so Vanquis has added some compensatory interest at our normal rate of 8% simple to those short term credit balances.

So I am satisfied that the refund Vanquis has calculated is a fair and reasonable assessment of the charges it has levied on Miss L for her borrowing. But, as I have set out above, I think it reasonable that Miss L should repay the capital she has benefited from. As her outstanding balance is greater than the compensation Vanquis has calculated I think it is fair that the compensation should be used to reduce that outstanding balance.

Vanquis has asked Miss L to get in touch to agree the repayment of the outstanding balance. And I would remind Vanquis that it should treat her positively and sympathetically in those discussions, and particularly so given that the balance has arisen from its irresponsible lending. And I think it is fair, as Vanquis has proposed, that any adverse information regarding this credit account should be removed from Miss L's credit file once the remaining balance has been settled.

For completeness I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Miss L 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, whilst I appreciate that this decision will be disappointing for Miss L, I'm satisfied the redress Vanquis has paid results in fair compensation for her 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.

My final decision

For the reasons given above, I don't uphold the complaint or make any further award against Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 29 August 2024.

Paul Reilly
Ombudsman