

## The complaint

Mr B complains that Vanquis Bank Limited irresponsibly lent to him.

Mr B 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 Mr B himself.

## What happened

Mr B was approved for a Vanquis credit card which was opened in March 2017 with a £500 credit limit. I have detailed the credit limit changes below:

February 2018	£500 to £1,500
July 2018	£1,500 to £2,250

Mr B says that Vanquis irresponsibly lent to him. Mr B made a complaint to Vanquis, but as Vanquis didn't respond to his complaint, he brought his complaint to our service.

Our investigator partially upheld Mr B's complaint. She said Vanquis' checks were proportionate and they made a fair lending decision for the approval of the initial credit limit and the increase to £1,500, but she said Vanquis should have carried out further checks for the credit limit increase to £2,250, and if they did, they shouldn't have approved this increase to the credit limit.

Vanquis accepted our investigator's view of the complaint. Mr B did not. He asked for an ombudsman to review the complaint. He made a number of points. In summary, he said his bank account statements show he was significantly overdrawn between January 2018-April 2018, Vanquis failed to adequately assess Mr B's financial situation for the February 2018 increase, Mr B's statements showed gambling activity, the increase to £1,500 from £500 was a significant increase, and Vanquis exacerbated Mr B's financial difficulties.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"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 Mr B, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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)*

*I've looked at what checks Vanquis said they did when initially approving Mr B's application. I'll address the credit limit increases later on. Vanquis said they looked at information provided by a Credit Reference Agency (CRA) and information that Mr B had provided before approving his application.*

*The information showed that Mr B had declared a gross salary of £42,000 and he was employed full time. But that's not all Vanquis's data showed. The data also showed that Mr B had outstanding unsecured balances of £4,600 across five active accounts.*

*The credit checks showed that Mr B had no defaults being reported by the CRA they used for the account opening checks, and no County Court Judgements. The checks don't show any active arrears on any of the accounts Mr B had.*

*So I'm satisfied that the checks Vanquis carried out here, prior to approving the initial £500 credit limit were proportionate and that Vanquis made a fair lending decision to approve Mr B's application.*

*February 2018 credit limit increase - £500 to £1,500*

*I've looked at the information available to Vanquis when they increased Mr B's credit limit to £1,500. Although Mr B has said this is a significant increase, the increase was for £1,000, which is slightly over 2% of his declared gross annual income, so I'm not persuaded the increase was significant.*

*The information showed that Mr B did incur a late charge and an overlimit charge which could be an indication of financial difficulties. But I can see Vanquis contacted him about this and Mr B told them the missed payment was due to him being paid by cheque for his last job back into work. But while Mr B had an explanation for this, the call notes suggests he explained he'd recently went back into work. So I'm not persuaded that it would be reasonable for Vanquis to rely on his original declared gross annual income.*

*Mr B had made a number of small cash withdrawals from his Vanquis credit card for £20 or less since the account had been open, incurring a cash advance fee each time. This could also indicate financial difficulty that Mr B needed to take cash.*

*The data from the CRA (which it appears that Vanquis used a different CRA to who they used for the account opening checks) shows concerning data, which I'm persuaded should have resulted in Vanquis making further checks to ensure the lending was sustainable and affordable for him.*

*I say this as the number of accounts shown that Mr B held is 15 as opposed to the five originally showing. There appears to be a number of defaulted accounts, as he's showing as having £7,099 of defaulted unsecured debt prior to the credit limit increase to £1,500. The data also appears to show he'd been in arrears on an account in the two months prior to the credit limit increase.*

*So based on all of the reasons above, I'm persuaded this ought to have prompted Vanquis to make further checks. There's no set way of how Vanquis should have made further proportionate checks. One of the things they could have done was to contact Mr B to get an understanding of why he couldn't keep up with his financial commitments, and to ask him his new salary. They could have also asked him about his cash withdrawals from the credit card. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.*

*Mr B has provided his bank statements leading up to the February 2018 credit limit increase,*

*which Vanquis could have requested as part of a proportionate check based on the concerning data they had.*

*Mr B's bank statements showed that he wasn't managing his account well. His statements don't show him in credit for the two months leading up to the credit limit increase and he is frequently near his overdraft limit of what appears to be £4,500. In December 2017, Mr B's bank statements show he had five direct debits returned unpaid. In January 2018, the month prior to the credit limit increase, his bank statements show he had another five direct debit payments returned unpaid.*

*So if Vanquis had made further proportionate checks given the data they had access to prior to the credit limit increase, I'm persuaded that after they made the further checks, they wouldn't have increased the credit limit to £1,500, based on the information the further checks would have shown. So I'm persuaded that Vanquis made an unfair lending decision in increasing the credit limit to £1,500.*

*July 2018 credit limit increase - £1,500 to £2,250*

*As both parties have accepted the credit limit should not have been increased to £2,250 I have not investigated this lending decision.*

*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 Mr B 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."*

I invited both parties to let me have any further submissions before I reached a final decision. Neither party responded to the provisional decision.

### **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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

### **Putting things right**

In the provisional decision I said I intend to uphold this complaint in part. I said I intend to ask Vanquis Bank Limited to take the following actions:

Vanquis should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £500 after the date of the credit limit increase in February 2018;

If the rework results in a credit balance, this should be refunded to Mr B 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 B's credit file recorded after the date of the credit limit increase in February 2018;

Or, if after the rework the outstanding balance still exceeds £500, Vanquis should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the balance, any adverse information recorded after the date of the credit limit increase in February 2018 in relation to the account should be removed from his credit file.

I'm still satisfied this is a fair outcome for the reasons given previously

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

### **My final decision**

I uphold this complaint in part. Vanquis Bank Limited should settle the complaint in line with the instructions in the *"Putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 November 2024.

Gregory Sloanes  
**Ombudsman**