

The complaint

Mr C complains that Vanquis Bank Limited have irresponsibly lent to him.

What happened

Mr C was approved for a Vanquis credit card in March 2019 with a £500 credit limit. I have detailed the credit limit changes below:

July 2019	£500 to £1,000
June 2021	£1,000 to £1,750
November 2021	£1,750 to £2,700
March 2022	£2,700 to £3,750
September 2022	£3,750 to £4,000
March 2023	£4,000 to £5,000

Mr C says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not uphold his complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Mr C brought his complaint to our service.

Our investigator partially upheld Mr C's complaint. He said that Vanquis made fair lending decisions apart from the last two credit limit increases. Mr C asked for an ombudsman to review his complaint. He said due to how the interest was calculated he felt all interest should be refunded over £3,750, not a proportionate amount of interest.

Mr C said that he had been making payments to a debt charity since September 2017, and six defaults would have been visible to Vanquis from their account opening checks. Mr C has said that he contacted Vanquis regarding the interest calculation, and they have failed to break this down for him. Vanquis accepted our investigator's view of the complaint.

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.

I've considered what Mr C has said about Vanquis not breaking down the interest calculation for him, but as this is a new complaint point which has just recently been brought to our service, I do not have the power to look into this as part of the complaint Mr C originally brought to our service. This is because Mr C would need to complain to Vanquis about this complaint point first and wait for their response to this new complaint point. This decision will focus on the crux of Mr C's complaint, which is that Vanquis irresponsibly lent to him.

Before agreeing to approve or increase the credit available to Mr C, 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 C's application. I'll address the credit limit increases later on. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr C had provided before approving his application.

The information showed that Mr C declared a gross annual income of £48,000. But the information also showed Mr C had previously defaulted on credit agreements, with the last default being registered 15 months prior to his application.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Vanquis made to see if they made a fair lending decision.

The data appears to show that one of Mr C's accounts was in an arrangement to pay. This often occurs when a borrower can't afford to repay the contractual minimum payments, so they make an arrangement to pay with a lender.

So based on this, I'm persuaded that Vanquis should have made further checks to ensure Mr C could sustainably afford repayments on a £500 credit limit. The balance on his account which appears to be in an arrangement to pay was £333.

One of the things Vanquis could have done was to contact Mr C to get an understanding of why he was in an arrangement to pay, and how he could afford repayments for the Vanquis credit card. If Mr C was to take out credit with Vanquis, his lender with the arrangement to pay may expect him to return to his contractual repayments if he had enough disposable income to be able to afford new repayments with another lender. Or Vanquis could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr C has provided his bank statements leading up to the approval of his Vanquis credit card. His income is consistent with what he told Vanquis. His account appears to be generally managed well, as he rarely is overdrawn, and his account balances are often three figures in credit.

So if Vanquis had looked at Mr C's bank statements as part of a proportionate check, they would have likely seen that Mr C could probably return to his contractual repayments on the account he had an arrangement to pay with and be able to sustainably afford repayments for a £500 credit limit. So I'm persuaded that Vanquis made a fair lending decision to approve Mr C's application for the Vanquis credit card.

July 2019 credit limit increase - £500 to £1,000

I've looked at what checks Vanquis said they did when increasing the credit limit to £1,000. The data shows that Mr C in a three month period paid £957.85 towards his Vanquis balance when £42.86 was due in the same period. So this could indicate that Mr C had the affordability to make higher repayments to sustain a higher credit limit. And the checks showed that Mr C was not in arrears on any of his active accounts at the time the credit limit had increased, and he hadn't been since the account was opened.

The checks showed that Mr C's defaulted balances had reduced since his application had been approved. His active unsecured debt was being reported as £461 by the CRA that Vanquis used. Mr C incurred no late or overlimit fees prior to the credit limit increase.

The £1,000 credit limit would have equated to just over 2% of Mr C's originally declared annual income, which I'm not persuaded was excessive. So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr C, and I'm persuaded they made a fair lending decision in increasing his credit limit to £1,000.

June 2021 credit limit increase - £1,000 to £1,750

I've looked at what checks Vanquis said they did when increasing the credit limit to £1,750. The data shows that Mr C in a three month period paid £610 towards his Vanquis balance when £83.52 was due in the same period. So this could indicate that Mr C had the affordability to make higher repayments to a higher credit limit. And the checks showed that Mr C was not in arrears on any of his active accounts prior to this credit limit increase.

Mr C's Vanquis account activity since the previous credit limit increase showed that he incurred two late payment fees and one overlimit fee. So this could be a sign of financial difficulty, or it could be due to a genuine oversight.

I've reviewed the system notes. Shortly after the late/overlimit fees, Mr C contacted Vanquis to let them know he was having financial difficulties due to the pandemic, so they applied a short term payment freeze.

But Mr C's circumstances appear to have been more favourable in 2021, the year when his credit limit was increased to £1,750. I say this because between his financial difficulties and the credit limit increasing, there were no further late or overlimit fees incurred by him.

Prior to June 2021, Mr C was utilising less of his Vanquis credit limit, from 89% utilisation in January 2021, to 76% in May 2021. Mr C had more active unsecured debt since his last credit limit increase, as the CRA reported he had active unsecured debt of £2,525, however, Mr C's defaulted balances had fallen by £8,640 over the same time period. So Mr C's overall debt was lower than at the time of the last credit limit increase.

So I'm persuaded that Vanquis' checks were proportionate here, and that they made a fair lending decision to increase Mr C's credit limit to £1,750.

November 2021 credit limit increase - £1,750 to £2,700

I've looked at what checks Vanquis said they did when increasing the credit limit to £2,700. The data shows that Mr C in a three month period paid £485 towards his Vanquis balance when £251.41 was due in the same period. So this could indicate that Mr C had the affordability to make higher repayments to sustain a higher credit limit. And the checks showed that Mr C was not in arrears on any of his active accounts prior to this credit limit increase.

The data from a CRA shows that Mr C's active unsecured debt was £22 lower than at the last lending decision, and defaulted balances had reduced by £2,725. So Mr C's overall debt was lower than at the time of the last credit limit increase.

So I'm persuaded that Vanquis' checks were proportionate here, and that they made a fair lending decision to increase Mr C's credit limit to £2,700.

March 2022 credit limit increase - £2,700 to £3,750

I've looked at what checks Vanquis said they did when increasing the credit limit to £3,750. The data shows that Mr C in a three month period paid £546.25 towards his Vanquis balance when £433.97 was due in the same period. So this could indicate that Mr C had the affordability to make higher repayments to sustain a higher credit limit. And the checks showed that Mr C was not in arrears on any of his active accounts just prior to the credit limit increase.

The data from a CRA shows that Mr C's active unsecured debt was similar to what it was at the last credit limit increase, but his defaulted balances had reduced.

The data also shows that Mr C did not have any late payments, and he didn't exceed his credit limit. So I'm persuaded that Vanquis' checks were proportionate here, and that they made a fair lending decision to increase Mr C's credit limit to £3,750.

September 2022 and March 2023 credit limit increases

As Vanquis has agreed with our investigator's view to uphold Mr C's complaint on these lending decisions, then I'm not minded to interfere here, therefore I have not investigated these lending decisions. This is because if I agreed with our investigator's view of Mr C's complaint on these lending decisions, the redress I would have awarded would be the same.

I say this because although Mr C believes that all of the interest should be refunded when the credit limit was increased from £3,750, and not just the proportion of interest over this figure, I'm not persuaded this would be fair. I say this because the checks suggest that lending decisions up to the credit limit of £3,750 were fair, therefore it wouldn't be proportionate for me to ask Vanquis to refund the proportion of interest also under £3,750.

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 C 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

Our investigator has suggested that Vanquis takes the actions detailed below, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint in part. Vanquis Bank Limited should take the following actions (if they haven't done so already):

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £3,750 after the date of the credit limit increase in September 2022;

If the rework results in a credit balance, this should be refunded to Mr C 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 C's credit file recorded after the date of the credit limit increase in September 2022;

Or, if after the rework the outstanding balance still exceeds £3,750, Vanquis should arrange an affordable repayment plan with Mr C for the remaining amount. Once Mr C has cleared

the balance, any adverse information recorded after the date of the credit limit increase in September 2022 in relation to the account should be removed from his credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 17 February 2025.

Gregory Sloanes
Ombudsman