

## The complaint

Miss W, through a representative, complains that Vanquis Bank Limited irresponsibly lent to her.

## What happened

Miss W applied for a credit card from Vanquis in October 2020. It gave her a £1,000 credit limit and increased this to £1,550 in July 2021 and to £2,450 in November 2021. Miss W says the card and subsequent credit limit increases were unaffordable for her. As a result her financial situation (which was already poor) has been made worse.

Our investigator did not uphold Miss W's complaint. He said Vanquis had completed proportionate checks that did not show she would be unable to sustainably repay the credit.

Miss W disagreed with this assessment and asked for an ombudsman's review.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to provide any further comments or evidence for me to consider by 10 December 2024.

### *Extract from my provisional decision*

*To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make fair lending decisions; and finally did it treat Miss W unfairly in some other way.*

### *Credit card application and initial limit of £1,000*

*I can see Vanquis reviewed certain information when Miss W applied. It asked for her employment status and income, and her residential status and housing costs. It estimated her living costs using an internal model and national statistics. It carried out a credit check to understand her existing commitments and repayment history. From these checks combined Vanquis concluded Miss W could afford the card.*

*I think these checks were proportionate given the amount of credit involved and the stage in the lending relationship. And I think Vanquis made a fair lending decision based on the information it gathered. I'll explain why.*

*Miss W declared an annual income of £21,000 so her monthly net income would have been around £1,500. She said her housing costs were £650 and Vanquis calculated her living costs to be £445. The credit check showed she had one hire purchase agreement costing £262 each month. She had no active credit cards or personal loans. There was an overdraft facility on both of Miss W's current accounts but she wasn't using any of that available credit. So, in the round, I think it was reasonable for Vanquis to conclude Miss W could afford to take on this card assuming the maximum monthly cost would be £50.*

### *Credit limit increases*

*Prior to increasing Miss W's limit Vanquis reviewed how she was managing her account and her external debt. It also completed an updated income and expenditure assessment. Again I think these checks were proportionate. For the first increase I find Vanquis made a fair lending decision, but I don't find it did in November 2021.*

*In July 2021 Vanquis learnt Miss W's monthly income was £1,600 and her total outgoings were £1,387.55 so I find it was reasonable at this stage to increase her limit by £550 which could cost her up to a further £27.50 each month. Her external debt had decreased and she had no overlimit or late fees on her Vanquis account.*

*In November 2021, however, Vanquis' checks showed Miss W's total monthly outgoings had risen to £1,522.83 whilst her income remained £1,600. I accept its calculation may have included a buffer (its submission does not clarify this, but I note it included a £50 buffer at the time of application). But this alone does not give me confidence that leaving Miss W with so little disposable income was responsible given it was an open-ended line of credit. Her account had been open for just a year at this stage and whilst well managed to date, that does not necessarily mean she could afford this level of increase. Miss W was on a relatively low salary and in such circumstances, I don't think it was fair for Vanquis to leave her with so little disposable income. I find it was irresponsible to offer her an increase of £900 given the results of its checks.*

*It follows I think Vanquis ought not to have offered the second limit increase to £2,450.*

I then set out what Vanquis would need to do to put things right.

Miss W responded and accepted my provisional decision. Vanquis did not reply.

### **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 will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

As neither party sent in any comments or new information for me to consider, I have no reason to change the findings or outcome in my provisional decision.

It follows, for the reasons set out above, I find Vanquis was wrong to increase Miss W's credit limit beyond £1,550.

### **Putting things right**

As I don't think Vanquis should have increased Miss W's credit limit from £1,550, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Miss W has had the benefit of the money she spent on the account so I think she should pay this back.

Therefore, Vanquis should:

- Rework the account removing all interest, fees, charges and insurance (not already refunded) that have been applied to balances above £1,550.
- If the rework results in a credit balance, this should be refunded to Miss W 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 recorded after November 2021 regarding this account from Miss W's credit file.
- Or, if after the rework the outstanding balance still exceeds £1,550, Vanquis should arrange an affordable repayment plan with Miss W for the remaining amount. Once Miss W has cleared any outstanding balance, any adverse information recorded after November 2021 in relation to the account should be removed from her credit file.

\*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Miss W a certificate showing how much tax has been taken off if she asks for one. If it intends to apply any refund to reduce an outstanding balance, it must do so after deducting the tax.

If Vanquis has the sold debt it must first try to buy it back. If this is not possible it must work with the new owner to ensure the steps outlined above are followed.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Miss W 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**

I am upholding Miss W's complaint in part in relation to the second credit limit increase. Vanquis Bank Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 8 January 2025.

Rebecca Connelley  
**Ombudsman**