

The complaint

Miss F complains that Vanquis Bank Limited irresponsibly lent to her.

Miss F is represented by a Solicitor's 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 Miss F herself.

What happened

Miss F was approved for a Vanquis credit card with a £500 credit limit. I have detailed the credit limit changes below:

August 2012	£500 to £1,500
July 2013	£1,500 to £2,250
March 2015	£2,250 to £2,500

Miss F says that Vanquis irresponsibly lent to her, and she made a complaint to Vanquis, who did not uphold her complaint. Miss F brought her complaint to our service.

Our investigator did not uphold Miss F's complaint. She said that Vanquis should have carried out further checks from the first credit limit increase to £1,500. She reviewed Miss F's bank statements for the lending decisions from this date, and she said the lending decisions appeared affordable, so she concluded that Vanquis made fair lending decisions.

Miss F asked for an ombudsman to review her complaint. She said the bank statements showed she was frequently overdrawn, and she had taken out payday loans which demonstrated her financial difficulty.

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 Miss F, 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)

I've looked at what checks Vanquis said they did when initially approving Miss F'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 Miss F had provided before approving her application.

The information showed that Miss F declared a gross annual income of £13,500. The data showed that Miss F had active outstanding unsecured balances of £2,700. But there were no defaults or County Court Judgements (CCJ's) being reported by the CRA. The checks showed that Miss F had been in arrears on two accounts five months prior to the credit checks, which could indicate financial difficulty. But I do note that Miss F brought the accounts up to date the following month, and she had no arrears between this point and her account opening, so it does appear that this was just a genuine oversight.

The lending was less than 4% of her declared annual income, and even if she utilised the full credit available on her Vanquis card, and combined this with her outstanding debt, this would mean she would have £3,200 of unsecured debt which was less than a quarter of her declared annual income. So I'm persuaded that Vanquis' account opening checks were proportionate, and Vanquis made a fair lending decision in approving the account.

August 2012 credit limit increase - £500 to £1,500

I've looked at what checks Vanquis said they did when increasing the credit limit to £1,500. Since Miss F's account had been opened she had been late on a payment twice, incurred several cash advance fees, and she exceeded her credit limit on five occasions which all could be signs of financial difficulty, albeit I note none of these things happened in the three months prior to the credit limit being increased.

The data from the CRA is limited due to the time that's passed. But the data does show that Miss F's unsecured borrowings had nearly trebled from £2,700 when the account opening checks were completed, to £6,800 just prior to the credit limit increase to £1,500.

This would represent a debt to income ratio of more than 50% based on what Miss F originally declared as her annual income. And the extra £1,000 credit limit on the Vanquis card would make the debt to income ratio higher if she utilised the credit made available to her.

So I'm persuaded that Vanquis should have completed further checks to ensure the lending was affordable and sustainable for Miss F. One of the things Vanquis could have done was to contact Miss F to get an understanding of why her unsecured borrowings had nearly trebled since the last lending decision. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss F has provided her bank statements for the three months leading up to the £1,500 credit limit. Her bank statements show she was constantly in her arranged overdraft. But they also show that she exceeded her arranged overdraft.

Miss F's bank statements show that in the three months leading up to the £1,500 credit limit, she had taken out five payday loans in such a short period of time. There was also a returned direct debit for only £1.94. So based on all of these factors, I'm not persuaded that Miss F could afford or sustain an increase in her credit limit to £1,500. So I'm persuaded that Vanquis did not make a fair lending decision here.

Further credit limit increases

If Miss F's credit limit was not increased to £1,500, I think there is an argument for saying that Miss F'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 August 2012, I'm not persuaded Miss F would've been able to add to the credit.

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 Miss F 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."

I invited both parties to let me have any further submissions before I reached a final decision. Vanquis accepted the provisional decision. Miss F did not respond 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 August 2012;

If the rework results in a credit balance, this should be refunded to Miss F 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 Miss F's credit file recorded after the date of the credit limit increase in August 2012;

Or, if after the rework the outstanding balance still exceeds £500, Vanquis should arrange an affordable repayment plan with Miss F for the remaining amount. Once Miss F has cleared the balance, any adverse information recorded after the date of the credit limit increase in August 2012 in relation to the account should be removed from her 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 Miss F how much they've taken off. They should also give Miss F a tax deduction certificate if she asks for one, so she 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 Miss F to accept or

reject my decision before 30 January 2025.

Gregory Sloanes
Ombudsman