

The complaint

Mr S complains that Vanquis Bank Limited irresponsibly lent to him on a credit card.

What happened

Mr S had a credit card with Vanquis. It was originally taken out in 2015 with a credit limit of £500 – the limit was later increased several times, reaching £3,000 in October 2016.

In 2019 Mr S complained to Vanquis about the credit card, and specifically about the increases to the limit, which he felt were excessive and had led him into financial difficulty. Vanquis didn't uphold his complaint, so Mr S referred it to us. Following that complaint Vanquis agreed to refund interest and pay £150 compensation in settlement of the complaint. But the account remained open as there was still an outstanding capital balance to repay.

Mr S made a new complaint in 2021, this time about a lack of support in managing the account and outstanding balance. Vanquis said that the credit limit should have been reduced to £1,500 following the previous complaint. It reduced the balance accordingly, and also suspended the card so that Mr S could not use it for further spending – though he would still need to pay the outstanding balance. Following this complaint, Vanquis agreed to refund all interest and charges since June 2021. But it didn't agree to freeze future interest.

In 2024, Mr S brought a further complaint. He said that the account should have been closed and interest frozen at the time of the previous complaints – as that hadn't happened, he'd incurred further interest and charges.

Vanquis initially didn't uphold the complaint. But when Mr S referred it to us, it made a settlement offer:

- To refund any remaining interest and charges from the opening of the account onwards
- To remove any adverse information from Mr S's credit file.

This resulted in a total redress offer of £4,64.62 – as by then the balance of Mr S's account was £597.90, the balance was cleared and the account closed, with the remaining refund of £4,047.92 being paid to Mr S.

Mr S wasn't happy with that. He said that Vanquis should have closed the account and frozen interest after the earlier complaints. Because it didn't, he'd experienced considerable upset in the meantime. He said it should also pay him compensation for distress and inconvenience. Our investigator thought that Vanquis's offer was fair, so Mr S asked for his complaint to be reviewed by an ombudsman.

I thought Vanquis's offer didn't go far enough, so I issued a provisional decision setting out my thoughts. I said:

“As well as looking at everything that’s been said in this complaint, I’ve looked at the previous complaints too. Having done so, I agree that Vanquis has made a fair offer. It’s now removed all the interest Mr S has been charged, and refunded it to him, as well as removing adverse information from Mr S’s credit file. That’s what should happen in cases where there has been irresponsible lending.

But while I think that’s fair, I don’t think Vanquis’s offer goes far enough. I agree with Mr S that Vanquis should have made sure that he wasn’t charged future interest in 2021. So refunding that interest to him goes some way to put that right – repaying money he shouldn’t have had to pay to Vanquis means he’s not now out of pocket. But it doesn’t recognise the distress and inconvenience caused to Mr S in having to make those payments between 2021 and 2024. I’ve considered everything Mr S has said about his circumstances and the impact on him of having to find those extra payments – and having to deal with Vanquis when he struggled to do so. In all the circumstances, I think Vanquis should also pay him compensation of £350 for the impact and upset caused.”

Vanquis accepted my provisional decision. But Mr S didn’t think £350 compensation was enough. He thought Vanquis should pay £750. He said that the Financial Ombudsman Service hadn’t initially listened to what he had said or taken account of his concerns, which had caused him further distress and inconvenience, with an impact on his wellbeing.

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 S has said. I appreciate that the investigator didn’t recommend that Vanquis paid any compensation in addition to the refund it had offered, and that I’ve reached a different conclusion. But the Financial Ombudsman Service operates a two stage process, allowing either party to ask an ombudsman to review matters if they disagree with an investigator’s conclusions. That’s what happened here, and having considered what Mr S said I disagreed with the investigator and said Vanquis should pay compensation in addition to the refund.

I understand that the extra time to resolve his complaint as a result has caused Mr S further distress. But it wouldn’t be fair to require Vanquis to compensate him for that. It made what it considered a fair offer, an investigator reviewed that offer and Mr S was able to challenge it further and request an ombudsman’s decision. That’s how the complaints process is supposed to work and I don’t think it’s something Vanquis should compensate Mr S for.

My decision is designed to award compensation for the distress and inconvenience caused by having to find extra payments to Vanquis between 2021 and 2024. Vanquis is not responsible for all Mr S’s circumstances during that time. But it did contribute to them, causing additional distress that Mr S would not have experienced otherwise. I’m satisfied £350 is fair compensation.

My final decision

My final decision is that Vanquis Bank Limited should pay Mr S £350 compensation in addition to the refund of interest it has already paid.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 8 April 2025.

Simon Pugh
Ombudsman