

## **The complaint**

Mrs H complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application and later increased the credit limit.

## **What happened**

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

*Mrs H applied for a credit card with Vanquis in July 2013. In her application, Mrs H said she was unemployed but there was a household income of £14,500. Vanquis carried out a credit search and found Mrs H had a utility account with monthly repayments of £72. No other open credit was found. No missed payments, defaults or other adverse information was found on Mrs H's credit file. Vanquis applied its lending criteria and approved a credit card with a limit of £500.*

*In March 2014 Vanquis increased the credit limit to £1,000. Vanquis says it checked Mr H's credit file and found she owed around £2,650. Mrs H's credit file showed a delinquent balance of £1,521 with various missed payments over the preceding six months with one of her accounts being four months in arrears. Vanquis says the credit limit increase was approved in line with its lending criteria.*

*Last year, representatives acting on Mrs H's behalf complained that Vanquis lent irresponsibly. Vanquis issued a final response but said Mrs H had waited too long to raise her complaint.*

*An investigator at this service looked at Mrs H's complaint. They thought Vanquis had carried out reasonable and proportionate lending checks before approving Mrs H's application and later increasing the credit limit and didn't uphold her complaint. Mrs H's representatives asked to appeal and said that at the time of her application she was only receiving £450 a month which was insufficient to cover any borrowing. Mrs H's representatives added that she was already experiencing financial difficulties when the credit limit was increased to £1,000 in March 2014. As Mrs H asked to appeal, her complaint has been passed to me to make a decision.*

## **What I've provisionally 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.*

*Before agreeing to lend or increasing the credit limit, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Mrs H could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:*

- The amount of credit;*

- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

*That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.*

*In this case, the level of information from when Mrs H applied and when Vanquis later increased her credit limit is somewhat limited due to the passage of time. That being said, Vanquis has provided the information from Mrs H's original application along with copies of the credit file information it obtained. I can see that Mrs H confirmed a household income of £14,500 but said she was unemployed. In my view, the reliance on a household rather than personal income to support the account could've been a sign Vanquis needed to look at Mrs H's application in more detail. But, I think it's reasonable to note that the other information available at the time appeared positive. Mrs H's credit file shows she didn't have any other outstanding debts and was making monthly payments of £72 to a utility supplier. I note Mrs H's credit file was clear of any adverse information or missed payments and there were no obvious signs of financial difficulty. I also think it's fair to say the credit limit of £500 was reasonably modest.*

*In my view, the decision to approve Mrs H's application with a credit limit of £500 was reasonable based on the information Vanquis obtained. Whilst I can see Mrs H was noted as unemployed in the application, I'm satisfied the other information on file indicated she was able to sustainably afford repayments to a new credit card with a limit of £500. Overall, I haven't been persuaded Vanquis failed to complete reasonable or proportionate lending checks when considering Mrs H's application and its decision to proceed with a credit limit of £500 was reasonable.*

*I've reached a different conclusion to the investigator in relation to the credit limit increase to £1,000 in March 2014. By this point, the information available to Vanquis showed Mrs H's circumstances may've changed. The original application was only eight months previous. At that point, Mrs H didn't have any other unsecured debt. But in March 2014, Mrs H's unsecured debt had increased substantially to around £2,650. I also note Mrs H was four payments in arrears on one of those accounts, with a delinquent balance recorded at £1,521. Given the fact Vanquis was aware Mrs H was unemployed and reliant on household income, that her unsecured debts had increased substantially and that she was significantly behind with her existing repayments, I think it should've been clear to Vanquis that she wasn't in a position to be able to sustainably afford further lending.*

*Whilst it could be argued that the information Vanquis obtained ought to have led it to carry out a more in depth assessment before increasing Mrs H's credit limit, I think the information it already had available strongly indicated further borrowing was unaffordable in its own right.*

*I note that before the end of 2014, Mrs H's account was generally over the agreed credit limit and that she's experienced various difficulties maintain payments over the years. I think that reinforces the view that Vanquis' decision to increase the credit limit to £1,000 in March 2014 wasn't sustainable for Mrs H.*

*As I'm satisfied Vanquis lent irresponsibly when increasing Mrs H's credit limit to £1,000 in March 2014 I intend to uphold her complaint and direct it to refund all interest, fees, charges and insurances applied to balances over £500 from that date.*

*I've considered whether the business acted unfairly or unreasonably in any other way including 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 below results in fair compensation for Mrs H 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 respond with any additional comments or information they wanted me to consider before I made my final decision. Vanquis responded to confirm it accepted the provisional decision. We didn't hear back from Mrs H or her representatives.

### **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 no new information has been provided I see no reason to change the conclusions I reached in my provisional decision. I still think Mrs H's complaint should be upheld, for the same reasons.

### **My final decision**

My decision is that I uphold Mrs H's complaint in part and direct Vanquis Bank Limited to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £500 after March 2014.
- If the rework results in a credit balance, this should be refunded to Mrs H 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 March 2014 regarding this account from Mrs H's credit file.
- Or, if after the rework the outstanding balance still exceeds £500, Vanquis should arrange an affordable repayment plan with Mrs H for the remaining amount. Once Mrs H has cleared the outstanding balance, any adverse information recorded after March 2014 in relation to the account should be removed from their credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 9 April 2025..

Marco Manente  
**Ombudsman**