

The complaint

Mrs W complains Vanquis Bank Limited irresponsibly provided her with an unaffordable credit card.

Mrs W's complaint has been referred to us by a professional representative, but for ease I'll refer to all submissions as though they are her own.

What happened

Vanquis provided Mrs W with a credit card with the following credit limits:

Date	Lending Decision	Credit Limit
March 2007	Original limit	£250
November 2007	1 st limit increase	£500
May 2008	2 nd limit increase	£1,000
March 2010	3 rd limit increase	£1,250
December 2010	4 th limit increase	£1,750

Vanquis has provided consent for our service to review the details of the complaint, and has confirmed the account was closed in 2014.

In July 2024 Mrs W complained to Vanquis. She said its checks weren't reasonable to the terms of lending being provided and her individual circumstances. Mrs W said better checks would have identified this credit card and the credit limit increases weren't affordable for her.

Vanquis issued a final response in August 2024 in which it didn't uphold Mrs W's complaint. It said its checks were reasonable before each lending event; and that it went on to make fair lending decisions when providing Mrs W with this credit card and limit increases.

Unhappy with Vanquis' response Mrs W referred her complaint to our service for review.

Our investigator considered the details of Mrs W's complaint and upheld it in part. He considered Vanquis' checks should have been more detailed; and that better checks ought reasonably to have identified the credit limit increase to £1,000 in May 2008 wasn't affordable for Mrs W. However, he considered that by the next limit increases in March and December 2010 Mrs W's finances had improved, and as such he recommended Vanquis refund interest and charges between May 2008 and March 2010.

Vanquis accepted our investigator's view; Mrs W didn't. In summary she maintained her arguments that the credit card was unaffordable for her from the start of the agreement; and that better checks ought to have identified this and no lending should have been provided.

Mrs W asked for an ombudsman's review, so the complaint has been passed to me to decide.

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.

The information in this case is well known to Mrs W and Vanquis, so I don't intend to repeat it in detail here. While my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me; but I've focused my findings on what I consider to be the key points and facts relevant to this complaint. I don't mean to be discourteous to Mrs W or Vanquis by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; and I've seen our investigator made Mrs W and Vanquis aware of this approach within their view.

Essentially Vanquis needed to take reasonable steps to ensure the lending it provided Mrs W was responsibly lent. The relevant rules, regulations, and guidance in place at the time Vanquis made its lending decisions required it to carry out reasonable and proportionate checks. These checks needed to assess Mrs W's ability to afford the credit limit being provided and repay it sustainably, without causing her financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as the borrower's individual circumstances.

I've used this approach when reaching my decision and I've split my findings below under different headings for ease.

Vanquis has said before each lending event it considered and assessed a number of criteria to check Mrs W's ability to sustainably afford the credit limit being provided. It has said this would have consisted of some or all of the following: obtaining details of Mrs W's income, completing a credit file check, and taking into account information it had available to it about the management of the existing agreement, where relevant.

The original credit limit of £250 in March and credit limit increase to £500 in November 2007

The opening limit of £250 and credit limit increase to £500 were both relatively modest and provided within around eight months of each other. Vanquis obtained details of Mrs W's income when it provided the original limit, which was declared as £22,800; and it says it completed a credit check at both the account opening and credit limit increase.

Due to the passage of time Vanquis has said the credit check information from the original lending decision is no longer available; which I don't consider unreasonable given how long ago this lending decision took place.

However, Vanquis has provided the results from its monthly credit check which start in April 2007, the month after the original lending decision. So, I consider I can reasonably use this information to understand what a credit search just a month before in March 2007 would likely have shown it.

The credit results in April 2007 don't show any adverse information such as insolvency, CCJs, defaults or missed payments on existing credit accounts. It shows Mrs W had four

active credit accounts with a total outstanding balance of £1,000, and that these were being managed well.

I consider Vanquis would have taken comfort from the information it obtained prior to the original lending decision that Mrs W had a reasonable level of income; and there wasn't anything to suggest she wasn't managing her existing modest level of debt well.

So, I don't consider there was anything within the information Vanquis would more likely than not have obtained through its checks at the time that ought to have caused it any concern; and for this modest original credit limit of £250 I consider it made a fair lending decision.

I consider the same is true for the credit limit increase to £500 in November 2007. I say this because I consider Vanquis could still reasonably rely on the income details Mrs W had declared in March 2007. The credit check Vanquis completed in October 2007 (details of which it would have considered for this credit limit increase) continued to report four active credit accounts, still with a total outstanding balance of £1,000. This had increased slightly to £1,200 in September 2007, but had otherwise remained at £1,000 across all other months.

There were no defaults or missed payments reported to the existing credit accounts Mrs W held, again suggesting she was managing her existing lines of credit well. I note Mrs W incurred a late payment fee on this Vanquis account in June 2007, however this appears to have been a single event, and the account was brought back up to date promptly as this wasn't reported to credit reference agencies.

I don't consider there was anything in the information Vanquis obtained and had available to it that ought to have caused it concern; and for this modest credit limit increase to £500 I consider Vanquis made a fair lending decision, as the information it had reasonably obtained suggested this increase would be affordable for Mrs W.

So, it therefore follows I consider the information Vanquis would more likely than not have obtained through its checks suggested these limits would be sustainably affordable for Mrs W; and it therefore follows I consider it made fair lending decisions when providing Mrs W with the original limit of £250 and limit increase to £500 in 2007.

The limit increase to £1,000 in May 2008

Both parties agree with our investigator's view in so much as Vanquis didn't make a fair lending decision when increasing Mrs W's credit limit to £1,000 in May 2008. So, there is no longer an ongoing dispute about any lending events from May 2008 onwards.

As such, I don't intend to set out my findings on these lending decisions in detail. However, for the avoidance of doubt, I agree with our investigator's findings that Vanquis' checks from May 2008 weren't reasonable to the terms of lending being provided. I agree that reasonable checks would more likely than not have led to Vanquis identifying Mrs W wouldn't be able to sustainably afford an increase in her credit limit.

So, I consider Vanquis didn't make a fair lending decision when increasing Mrs W's credit limit to £1,000 in May 2008.

The limit increases to £1,250 in March and £1,750 in December 2010

Given nearly two years had passed by the time of Vanquis' third limit increase, I think it's reasonable for me to consider the circumstances surrounding the further lending events to consider if further lending was provided fairly or not.

As I've set out above, I don't consider Vanquis' checks from May 2008 were reasonable to the terms of lending it was providing. So, I've gone on to consider what proportionate checks would likely have shown it had it completed these at the time of these lending events.

Mrs W has provided us with her bank statements which cover a period of three months before each of these lending events in 2010. In the absence of any conflicting information, I consider these statements allow me to reasonably understand what Vanquis would likely have identified at the time through more detailed checks.

The information within the statements suggests a significantly improved financial situation. Mrs W's income is increased, averaging around £700 across the three months leading up to March, and around £850 across the three months leading up to December 2010 limit increase.

Mrs W continues to receive credits from the student loans company, so it's clear she is still studying and in part time employment. But this employment is generating a much higher income per month.

Mrs W's evidenced bills to mobile phone providers and existing credit commitments are also evidenced. These average around £150 before March and around £200 before December's increase.

I also note that whereas in 2008 Mrs W's credit balance was generally in the tens or low hundreds of pounds, by 2010 and across that whole year Mrs W was generally maintaining a credit balance of a few thousand pounds in her account.

So, I consider had Vanquis completed reasonable checks it would more likely than not have identified that these limit increases were affordable for Mrs W; and it therefore follows I consider it made fair lending decisions when providing Mrs W with these limit increases.

Did Vanquis act unfairly or unreasonably in any other way?

I've considered whether Vanquis has 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'm directing in this case, as set out below, results in fair compensation for Mrs W in the circumstances of the complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't consider Vanquis made a fair lending decision when increasing Mrs W's credit limit above £500, I don't think it's fair for it to apply any interest or charges on any balances which exceeded that limit. However, Mrs W has had the use of the money she spent on the account, so I think it's fair she should pay this back. Therefore, Vanquis should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £500 from the limit increase in May 2008 to the limit increase in March 2010.
- As Mrs W's account was closed in 2014, this rework should produce a credit balance which should be refunded to Mrs W along with 8% simple interest per year*, calculated from the date of each overpayment to the date of settlement.
- As this account was closed in 2014 it should no longer be reporting on Mrs W's credit file; however, Vanquis should ensure it has not reported any adverse information to

Mrs W's credit file from May 2008 to March 2010.

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Mrs W 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.

My final decision

My final decision is that I'm upholding Mrs W's complaint about Vanquis Bank Limited and I direct it to take the above action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 30 July 2025.

Richard Turner
Ombudsman