

The complaint

Mrs D complains that Vanquis Bank Limited irresponsibly lent to her.

Mrs D is represented by a solicitors 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 Mrs D herself.

What happened

Mrs D was approved for a Vanquis credit card in October 2017 with a £1,000 credit limit. The credit limit was increased to £2,000 in February 2018. Mrs D says that Vanquis irresponsibly lent to her, and she made a complaint to Vanquis, who did not uphold her complaint. Mrs D brought her complaint to our service.

Our investigator did not uphold Mrs D's complaint. She said that Vanquis should have carried out further checks, but after looking at Mrs D's bank statements the lending decisions appeared affordable, so she concluded that Vanquis made fair lending decisions.

Mrs D asked for an ombudsman to review her complaint. She said she was reliant on benefits at the time the account was approved, and she wasn't working. She said Vanquis were unfair to lend to her considering they had indicators that she was financially vulnerable.

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 Mrs D, 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.

Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mrs D had provided before approving her application. The information showed that Mrs D declared a gross annual income of £9,000. And that she was a homemaker. The data showed that Mrs D had active outstanding unsecured balances of £3,290. There were no County Court Judgements (CCJ's) being reported by the CRA. But there was a default showing, for £17,515 which was nearly double the amount of annual gross income Mrs D declared.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Vanquis made to see if they made a fair lending decision.

The checks did show clear signs that Mrs D was in financial difficulty at the time Vanquis completed their checks. I say this as she had an account being six months in arrears at the time of the checks. The account was also on an arrangement to pay.

An arrangement to pay usually occurs when a borrower can't afford to pay their contractual repayments. So given the account being six months in arrears and the arrangement to pay on the account, I'm not persuaded that she had the affordability to sustainably make repayments to the Vanquis credit card. An expectation from her existing lender would be that if Mrs D did have disposable income, that she would be able to return to her contractual payments on her existing debt first, and to reduce the outstanding arrears before committing to more unsecured debt with third party lenders.

I'm not persuaded that Vanquis should have made further checks as the checks they did complete showed that the repayments for a £1,000 credit limit when Mrs D was already heavily indebted (including the defaulted balance which she still would be expected to repay) compared to her annual income, showed that it would be very unlikely she could sustainably afford the repayments for the account and repay the balance in a timely and sustainable manner.

So I'm not persuaded that Vanquis made a fair lending decision to approve Mrs D's account and provide her with a £1,000 credit limit.

February 2018 credit limit increase - £1,000 to £2,000

If Mrs D's application was not accepted, I think there is an argument for saying that Mrs D's complaint about the subsequent lending decision on the account 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 October 2017, I'm not persuaded Mrs D 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 Mrs D 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. Mrs D 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. 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;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mrs D 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 her credit file;

Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mrs D for the remaining amount. Once Mrs D has cleared the balance, any adverse information 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 consider that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs D how much they've taken off. They should also give Mrs D 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. 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 Mrs D to accept or reject my decision before 20 May 2025.

Gregory Sloanes
Ombudsman