

The complaint

Mr H's complaint is about a credit card he had with Vanquis Bank Limited. He believes that Vanquis was irresponsible when it decided to provide him with credit as it did not complete affordability checks either when he initially applied or when it later increased the credit limit.

Mr H is represented in his complaint, but for ease, I will refer to all comments as being his.

What happened

Mr H applied for, and was granted, a credit card with Vanquis in October 2014. The initial credit limit was £500, and it was later altered as follows:

October 2019	£1,500.
March 2022	£1,300
September 2022	£1,250
January 2023	£1,200
May 2023	£1,150

Mr H was immediately over the credit limit on the account and remained that way until November 2015. By February 2016 Mr H's balance was again over the credit limit, and it remained that way in most months until May 2019. The account remained within its credit limits thereafter.

Vanquis wrote to Mr H numerous times between January 2015 and March 2019 about payments having been missed or the account being over its limit. In addition, four payment arrangements were put in place between April 2015 and June 2017.

The debt was sold to a debt purchaser in July 2023.

Mr H complained to Vanquis in June 2024. It responded in a letter of 15 July 2024. It said that it considered the complaint about its initial lending decision of 2014 had been raised too late and so it did not consider the merits of that part of the complaint. In relation to the credit limit increase in 2019, Vanquis highlighted that it had given Mr H the option to decline the increase, but he had not done so. It said that it was satisfied that it completed proportionate checks before it had increased the credit limit and that it was not irresponsible lending.

Mr H was not satisfied with Vanquis' response and asked us to consider his complaint. When he did he told us that he had not been aware that the credit wasn't affordable; Vanquis had kept increasing the credit limit without telling him and before he knew it the repayments were so high that he couldn't afford them anymore. Mr H also confirmed that he was now in a debt repayment plan.

One of our Investigators looked into the complaint. She concluded that we could not consider the complaint about Vanquis accepting Mr H's application for the credit card. This was because she considered the complaint had been raised outside of the time limits contained in our rules as the debt has been sold. In relation to the credit limit increase, the Investigator concluded that Vanquis had not completed proportionate checks before granting

the credit increase. However, she was not persuaded that Mr H's circumstances indicated that the credit increase had been lent irresponsibly or unfairly. As such, she did not recommend the complaint about the credit limit increase be upheld.

Mr H didn't accept the Investigator's conclusions. He explained why he thought her conclusions about our jurisdiction were wrong. In relation to the merits of the credit limit, Mr H said that the information about the management of the account that Vanquis had should have raised significant concerns about his ability to manage further credit. He also highlighted that Vanquis did not request information from him about his income or expenditure, and he believed it should have conducted more rigorous affordability checks. Mr H asked that the complaint be referred to an Ombudsman for review.

The investigator responded to Mr H's points, but she was not persuaded to change her conclusions. As such, the complaint was passed to me to consider.

I issued a decision regarding our jurisdiction about the 2014 lending decision on 3 April 2025. I concluded that part of the complaint did not fall within our jurisdiction. I confirmed that I would go on to consider the merits of the complaint about the credit limit increase in 2019, which I have done below.

I issued a provisional decision on 7 April 2025, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

I see that Vanquis has said that as a "low and grow" lender it aims to help its customers to build their credit rating and looks to reward good account management by offering increased credit limits, providing its lending criteria is met. In order to do this, it completed a credit search on Mr H and that revealed that since 2014 no new CCJs had been recorded against him and he had not defaulted on any of his debts. The credit checks also identified that, excluding his mortgage, Mr H only had around £2,600 of debt elsewhere, which meant that he fell within Vanquis' lending policy, and it could offer him an increased credit limit.

I have considered whether the checks Vanquis completed in 2019 were proportionate. I am not persuaded they were. While the credit check did not flag any financial strain, the management of Mr H's account did over the majority of the time the account had existed. In light of this, I think Vanquis needed to carry out more checks to get the assurances it needed that Mr H was not under financial pressure and it would be a responsible decision to give him more credit. I note that it had not verified Mr H's income or gathered information on his outgoings – either estimated or actual.

In cases like this we look at the information that was available to Vanquis and assess a consumer's bank statements for the three months prior to lending. As Vanquis has pointed out the credit checks it completed did not show any signs of financial strain in the form of arrears, CCJs or defaults. Mr H's bank statements also show that he had a disposable

income that would generally be considered sufficient to support his existing credit commitments and the increase Vanquis offered him. However, the management of his credit card account with Vanquis would contradict all of this information. That showed that Mr H had difficulty managing the credit he already had.

Until six months before the credit limit had been increased, Mr H's balance had exceeded the credit limit every month for sixteen months. While for most of the six months before the credit limit was increased Mr H managed to maintain the account below the credit limit, he again exceeded it just three months before the new limit was applied to the account. This would indicate that Mr H's longstanding problem of managing his credit had not been resolved.

So while the new credit limit appears on the face of it to have been affordable for Mr H, I am not persuaded that Vanquis offering more credit to him was appropriate. I am also satisfied that Vanquis ought to have realised that offering more credit to Mr H would most likely cause him financial detriment. It follows that I do not consider that Vanquis should have increased Mr H's credit limit in October 2019.

I have also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I am satisfied the redress below results in fair compensation for Mr H in the circumstances of this complaint. I am satisfied, based on what I have seen, that no additional award would be appropriate in this case.'

Vanquis accepted my conclusions. Mr H did not respond to the provisional decision, despite his representatives having been reminded of the deadline. While Mr H did not respond to the provisional decision, I am satisfied that the decision and reminder were received by his representatives, as they were sent to the email address the representative corresponded with us from throughout the complaint.

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 have reviewed the file again in its entirety and I have revisited my provisional decision. Having done so, I am still of the opinion that the part of this complaint that falls within our jurisdiction – the credit limit increase in 2019 - should be upheld.

Putting things right

As Mr H has had the benefit of the money lent to him, it is fair he should repay the capital borrowed, but he has also paid interest and charges/fees on the credit limit increase that should not have been given. As such, Vanquis should:

- Rework the account removing all interest, fees and charges (not already refunded) that have been applied to balances above £500 after the date of the credit limit increase on 6 October 2019.
- If the rework results in a credit balance, this should be refunded to Mr H along with interest* calculated from the date of each overpayment to the date of settlement. Vanquis should also remove from Mr H's credit file all adverse information regarding the account after October 2019.
- Alternatively, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mr H for the remaining amount. Once Mr H has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*Interest is at a rate of 8% simple per year and paid on the amount specified and from/to the dates stated. If Vanquis Bank Limited considers that it's required by HM Revenue & Customs to deduct income tax from any interest due to *Mr H*, it should tell him how much it's taken off. It should also give Mr H a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold the complaint about the credit limit increase in 2019. I require Vanquis Bank Limited to settle the complaint as detailed above in 'Putting things right' above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject my decision before 28 May 2025.

Derry Baxter
Ombudsman