

The complaint

Mr O complains that Vanquis Bank Limited irresponsibly lent to him.

Mr O 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 Mr O himself.

What happened

Mr O was approved for a Vanquis credit card in August 2012 with a £1,000 credit limit. I have detailed the credit limit changes below:

March 2013	£1,000 to £2,000
August 2013	£2,000 to £3,000
April 2014	£3,000 to £3,500
June 2016	£3,500 to £4,000

Mr O says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not respond to his complaint, so he brought his complaint to our service.

Our investigator did not uphold Mr O's complaint. She said that she couldn't conclude that Vanquis made unfair lending decisions. Mr O asked for an ombudsman to review his complaint. In summary he said Vanquis didn't verify his income, his debt increased, and he made late payments on his account.

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 Mr O, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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.

Acceptance for the Vanquis credit card

I've looked at what checks Vanquis said they did when initially approving Mr O's application. I'll address the credit limit increases later on. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr O had provided before approving his application.

The information showed that Mr O declared he was employed with an annual household income of £50,000. The CRA showed he did not have any active outstanding unsecured debt at the time the checks were completed.

But the checks showed that Mr O had defaulted on an account 60 months prior to the checks. 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.

None of Mr O's active accounts were in arrears when the checks were completed, and the data showed they hadn't been in arrears for the 12 months prior to the initial lending checks.

But based on Mr O not declaring his own personal income, and only the income of his household, I'm persuaded that it would have been proportionate for Vanquis to have carried out further checks to ensure he could sustainably afford repayments for a £1,000 credit limit, as none of his other household members would be responsible for making repayments on his Vanquis account.

There's no set way of how Vanquis should have made further proportionate checks. One of the things they could have done was to contact Mr O to ask him what his income was, and to ensure he could afford the repayments on his Vanquis account. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

So I asked Mr O to provide his bank statements for the three months leading up to the acceptance of the Vanquis account, which Vanquis could have requested as part of a proportionate check. But Mr O did not provide these by the deadline given, even though I extended the deadline for him.

So on the face of it, it does look like Vanquis should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that Vanquis should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mr O hasn't provided me with his bank statements, that means that it wouldn't be fair for me to say that Vanquis shouldn't have lent here, because I don't know what further checks would reveal.

March 2013 credit limit increase - £1,000 to £2,000

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported Mr O had £34 of active balances with third parties. Vanquis would also have been able to see how Mr O used his Vanquis account since account opening. Mr O incurred no late or overlimit fees on this account since it was opened.

Vanquis had information from a CRA that Mr O was in an Individual Voluntary Arrangement (IVA). But this had been registered 67 months earlier, so some time had passed since this was first registered.

It doesn't appear that any of Mr O's active accounts were in arrears at the time of the checks. Mr O made repayments which were generally over and above his contractual minimum repayment, which I wouldn't expect him to be able to do if he was experiencing financial difficulty at the time of this credit limit increase.

So I'm persuaded that the checks that Vanquis completed were proportionate, and they made a fair lending decision to increase the credit limit here.

August 2013 credit limit increase - £2,000 to £3,000

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr O had £42 of active balances with third parties at the time they completed their checks.

No active accounts were in arrears at the time of the checks, and no active accounts had been in arrears for the six months prior to the checks as reported by the CRA Vanquis used. Vanquis would also have been able to see how Mr O used his Vanquis account since the last credit limit increase.

Mr O had not incurred any late payment fees or overlimit fees since the last lending decision. And he was making repayments which were higher than his minimum repayment requested, which could suggest he had the affordability to make sustainable payments for a higher credit limit.

So I'm persuaded that the checks that Vanquis completed were proportionate, and they made a fair lending decision to increase the credit limit here.

April 2014 credit limit increase - £3,000 to £3,500

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr O had again £42 of active balances with third parties at the time they completed their checks.

No active accounts were in arrears at the time of the checks, and no active accounts had been in arrears for the six months prior to the checks as reported by the CRA Vanquis used. Vanquis would also have been able to see how Mr O used his Vanquis account since the last credit limit increase.

Mr O had not incurred any late payment fees or overlimit fees since the last lending decision. And he was making repayments which were higher than his minimum repayment requested, which could suggest he had the affordability to make sustainable payments for a higher credit limit.

So I'm persuaded that the checks that Vanquis completed were proportionate, and they made a fair lending decision to increase the credit limit here.

June 2016 credit limit increase - £3,500 to £4,000

I've looked at what checks Vanquis said they did as part of this lending decision. I can see from Vanquis' system notes that it appears that Mr O asked them to close his account down, but the notes on 13 March 2015 show the account can't be closed until the final statement generates. I asked Vanquis if they could provide the phone calls from March 2015 when Mr O requested the account to be closed so I could hear exactly what was discussed. I also asked them to provide any call recordings if Mr O requested the account not to be closed down after this, but they didn't respond to my request. But there are no system notes to say that Mr O changed his mind about the account being closed.

So I'm not persuaded that Vanquis made a fair lending decision to increase the credit limit when the system notes appear to show he wanted to close his account prior to this lending decision. He also went on to incur three late payment charges prior to this credit limit increase, with all three of them being within five months prior to this lending decision.

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 Mr O in the circumstances of his 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. Mr O 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 in part. 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.

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £3,500 after the date of the credit limit increase in June 2016;

If the rework results in a credit balance, this should be refunded to Mr O 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 Mr O's credit file recorded after the date of the credit limit increase in June 2016;

Or, if after the rework the outstanding balance still exceeds £3,500, Vanquis should arrange an affordable repayment plan with Mr O for the remaining amount. Once Mr O has cleared the balance, any adverse information recorded after the date of the credit limit increase in June 2016 in relation to the account should be removed from his credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

**If Vanquis considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr O how much they've taken off. They should also give Mr O a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

We still don't know if Mr O's insolvency practitioner needs to be told about this settlement. But any sum of money he receives could affect the terms of his Individual Voluntary Arrangement (IVA) - so it's really important that he lets them know.

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 Mr O to accept or reject my decision before 30 May 2025.

Gregory Sloanes
Ombudsman