

The complaint

Mr K complains that Vanquis Bank Limited lent irresponsibly when it approved his 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:

Mr K applied for a credit card with Vanquis in July 2018. Mr K said he was employed with an income of £13,000. Vanquis completed a credit search and found no evidence of defaults, County Court Judgements, other adverse credit or missed payments on Mr K's credit file. Vanquis found Mr K owed around £200 to other lenders and that his current payments were up to date. Vanquis applied its lending criteria to Mr K's application and approved a credit limit of £500.

Mr K used the credit card and in March 2019 Vanquis increased the credit limit to £1,500. Before taking that step, Vanquis checked Mr K's credit file and found no evidence of new adverse credit. Mr K still owed around £366 to other lenders and his payments were up to date.

Mr K's payments fell behind and in his account was closed at default during 2021. Last year, representatives acting on Mr K's behalf complained it lent irresponsibly. Vanquis issued a final response but said Mr K had waited too long to raise his complaint.

An investigator at this service looked at Mr K's complaint. They reviewed the information available from Mr K and Vanquis but weren't persuaded it lent irresponsibly and didn't uphold his complaint.

Mr K's representatives asked to appeal and said Vanquis had failed to carry out reasonable lending checks before approving the credit card and increasing the credit limit. Mr K's representatives also said his other debts had increase from £200 to £395 before the credit limit increase. They also pointed out Mr K had been charged an overlimit fee by Vanquis in the preceding six months before the credit limit increase. As Mr K's representatives asked to appeal, his 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 Mr K 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.

Vanquis has supplied the application information Mr K provided including his income of £13,000. Vanquis also carried out a credit search that showed no evidence of adverse credit or defaults and no missed payments. Mr K owed £165 to another credit card and there were no other debts recorded. No affordability data in terms of Mr K's income and outgoings remains due to the passage of time. But I'm satisfied that, overall, there's sufficient evidence on file to reach a fair decision in relation to Mr K's complaint.

I can see that in addition to his personal income of £13,000 Mr K said the household income was around £50,000. Whilst I haven't used the household figure in my assessment, I'm satisfied the information in the application showed another party Mr K was living with had a reasonable income to help support the household. And, as noted above, Mr K had a very low amount of other unsecured debt totalling £165 before his application was made. I also note no adverse credit, defaults or recent missed payments were noted on Mr K's credit file when his application was made.

In my view, Mr K had a reasonable income and low debts at the point of his application which would've given him enough disposable income to sustainably afford repayments to a new credit card with a limit of £500. In my view, the decision to approve Mr K's application was reasonable based on the information Vanquis obtained.

Unfortunately, whilst the decision to increase Mr K's credit limit to £1,500 occurred within six years of the date he complained Vanquis doesn't appear to have the affordability assessment it completed at the time. In its absence, I recently asked our investigator to contact Mr K's representatives to request bank statements for the months leading up to the credit limit increase in May 2019. But despite chasing, no bank statements were supplied. So whilst I would've liked to review Mr K's bank statements to get a clearer picture of his circumstances, I'm unable to do so. As a result, I've relied on the available information when reaching my decision.

In response to the investigator, Mr K's representatives made the point he'd incurred an overlimit fee in November 2019, four months before the credit limit increase. They also pointed out Mr K's other debts now stood at £395, up from around £200 at the point of his application. And Mr K's representatives also said Vanquis had failed to complete reasonable affordability checks before increasing the credit limit.

As a starting point, I think it's reasonable to say the decision to triple the existing credit limit meant Vanquis was substantially increasing the amount Mr K could borrow. Especially when taking Mr K's income into account. So I'd have expected to see a clear affordability assessment of some kind that shows it considered his regular income and outgoings. And given the lending decision was made within six years of Mr K's complaint being made, I'd have expected that data to be provided. We've been back to Vanquis for the affordability data, but nothing from March 2019 was provided.

What I can see is that Mr K's credit file shows his unsecured debts had increased and he'd missed a payment to one of his creditors around February 2019. That meant there was a new missed payment on Mr K's credit file in the month before Vanquis increased the credit limit. In addition, Mr K was charged for being over the agreed credit limit by Vanquis in November 2018 and an overlimit letter was sent to him at the end of December 2018. I also think Mr K's representatives made a reasonable point when they said his outstanding balance was reasonably high throughout.

Taking the size of the credit limit increase, the absence of affordability data, Mr K's previous use of his Vanquis credit card, the increase in his unsecured debt and new missed payment on his credit file, I'm not persuaded the decision to increase the credit limit to £1,500 in March 2019 was reasonable. This is a finely balanced case, but in my view, the available information doesn't support Vanquis' claim it lent responsibly. As a result, I intend to uphold Mr K's complaint. I think it's reasonable to note that Mr K started to incur regular fees and charges on his Vanquis account in the months after the credit limit was increased which goes some way in demonstrating his claim the new borrowing wasn't sustainable for him.

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 Mr K 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 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 settlement I reached in the provisional decision. We didn't hear back from Mr K's 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 for me to consider I see no reason to change the conclusion I reached in my provisional decision. I still think Mr K's complaint should be upheld, for the same reasons.

My final decision

My decision is that I to uphold Mr K's complaint 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 from March 2019.
- If the rework results in a credit balance, this should be refunded to Mr K 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 2019 regarding this account from Mr K's credit file.
- Or, if after the rework the outstanding balance still exceeds £500, Vanquis should arrange an affordable repayment plan with Mr K for the remaining amount. Once Mr K has cleared the outstanding balance, any adverse information recorded after March 2019 in relation to the account should be removed from their credit file.

If Vanquis has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Mr K a certificate showing how much tax has been taken off if he 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 Mr K to accept or reject my decision before 9 June 2025.

Marco Manente
Ombudsman