

The complaint

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

Mr R is represented by a solicitor's 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 R himself.

What happened

Mr R was approved for a Vanquis credit card in September 2018 with a £500 credit limit. The credit limit was increased to £1,500 in March 2020, and it was increased to £2,300 in June 2021. Mr R says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not uphold his complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Mr R brought his complaint to our service

Our investigator did not uphold Mr R's complaint. He said that Vanquis made a fair lending decision. Mr R asked for an ombudsman to review his complaint. He said based on his income, the credit limit increases were too high and unaffordable for him to maintain. He said he didn't have enough disposable income to meet repayments for the last credit limit increase.

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 R, 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 R's application. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr R had provided them before approving his application.

The information showed that Mr R declared a gross annual income of £12,120. There were no defaults being reported by the CRA that Vanquis used. But they did report two County Court Judgements (CCJ's), with the last CCJ being registered 43 months prior to the checks.

It may help to explain here that, while information like a CCJ 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 showed that Mr R had no active outstanding unsecured balances at the time of the checks. None of Mr R's accounts were in arrears at the time of the checks, and none of his accounts had been in arrears for the 12 months prior to the checks. The £500 credit limit would equate to less than 5% of Mr R's declared gross annual income.

So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr R, and I'm persuaded they made a fair lending decision to approve his application and give him a £500 credit limit.

March 2020 credit limit increase - £500 to £1,500

The data shows that Mr R's active unsecured debt had risen to £3,170 at the time of the checks. Mr R declared a total net income of £1,000 a month. Vanquis completed an affordability assessment using information from Mr R, and information from the CRA's to calculate his outgoings. The affordability assessment showed that Mr R would have £277.72 of monthly disposable income, which this would be more than 25% of his net monthly income he declared.

Vanquis would have also seen how Mr R managed his account since it had been opened. Mr R did not incur any late payment or overlimit fees, but I do note he exceeded his credit limit by 87p in one month. It does appear that this was an oversight as Mr R brought his balance within his credit limit shortly after this. He also sometimes made repayments which appeared to be more than his minimum requested repayments.

The CRA reported Mr R was not in arrears on any of his active accounts at the time of the checks, and he hadn't been in arrears on any of these accounts since the Vanquis account had been opened.

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

June 2021 credit limit increase - £1,500 to £2,300

The checks showed that Mr R's active unsecured debt was £3,435, which was not too dissimilar to his active unsecured debt at the last lending decision. The CRA reported that Mr R had no accounts in arrears at the time of the checks, and he hadn't had any accounts in arrears since the last lending decision.

Mr R declared a net monthly income of £900, which was lower than at the last lending decision. He also declared higher living costs and higher housing costs than he did at the previous lending decision. The results of the affordability assessment showed that Mr R only had £97.74 a month disposable income.

While Mr R sometimes had paid more than his minimum repayment on his Vanquis account, and he hadn't incurred any late or overlimit fees on his Vanquis account since the last lending decision, he did not appear to have much disposable income available to absorb any increases to his regular outgoings (not to mention any emergencies he may have).

So based on the low disposable income showing for Mr R, and his new credit limit being an increase of more than 50%, I'm persuaded that Vanquis should have completed further checks to ensure the lending would be affordable and sustainable for him.

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 R to ensure that he could afford the repayments on his Vanquis account for an increased credit limit. 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.

Mr R has provided his bank statements leading up to this lending decision. I've looked at the three months prior to this lending decision. The statements show that Mr R does not enter into an arranged overdraft or have any returned direct debits.

Mr R's March 2021 income is showing as £768.56, his April 2021 income is showing as £1,131.36, and his May 2021 income is showing as £788.60. So he averages £896.17 a month, which is consistent with what he told Vanquis.

But Mr R spends more than his income on a monthly basis. His statements show that on 1 March 2021 one account has an opening balance of £2,883.63. His 1 April 2021 balance on the same account is £2,510.85, and his 1 May 2021 balance is £1,630.56. His closing balance on 28 May 2021 when the statement ends is £1,245.02.

So based on Mr R spending more than his income for the three months leading up to this credit limit increase, I'm not persuaded that this would be sustainable for Mr R. So if Vanquis had requested his bank statements leading up to this lending decision, I'm persuaded that they wouldn't have increased his credit limit by over 50% here, as it wouldn't appear that the repayments for the higher credit limit would be affordable and sustainable for Mr R. So I'm not persuaded that Vanquis made a fair lending decision here.

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 R 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 R did not inform me if he accepted or rejected 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 £1,500 after the

date of the credit limit increase in June 2021;

If the rework results in a credit balance, this should be refunded to Mr R 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 R's credit file recorded after the date of the credit limit increase in June 2021;

Or, if after the rework the outstanding balance still exceeds £1,500, Vanquis should arrange an affordable repayment plan with Mr R for the remaining amount. Once Mr R has cleared the balance, any adverse information recorded after the date of the credit limit increase in June 2021 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 R how much they've taken off. They should also give Mr R a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

I uphold this complaint in part. 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 R to accept or reject my decision before 10 July 2025.

Gregory Sloanes
Ombudsman