

The complaint

Ms C complains that Vanquis Bank Limited irresponsibly lent to her.

Ms C 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 Ms C herself.

What happened

Ms C was approved for a Vanquis credit card in November 2017 with a £500 credit limit. I have detailed the credit limit changes below:

March 2018	£500 to £1,000
August 2018	£1,000 to £1,750

Ms C says that Vanquis irresponsibly lent to her, and she made a complaint to Vanquis, who did not uphold her complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Ms C brought her complaint to our service.

Our investigator did not uphold Ms C's complaint. He said that Vanquis' checks were proportionate and they made fair lending decisions. Ms C asked for an ombudsman to review her complaint. In summary, she said she had financial difficulty, her debt to income was high, and she had arrears. She said Vanquis should have made further checks.

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 Ms C, 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.

Acceptance for the Vanquis credit card

I've looked at what checks Vanquis said they did when initially approving Ms C'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 Ms C had provided before approving her application.

The information showed that Ms C told Vanquis that she was a homemaker, and she

declared a gross annual income of £8,910. The data showed that Ms C had no defaults or County Court Judgements being reported by the CRA Vanquis used.

Ms C had unsecured debt of £696 being reported by the CRA, and she was within all of her credit limits. The CRA reported that Ms C had no accounts in arrears at the time of the checks, and she hadn't any accounts in arrears in the previous 12 months either.

Ms C's £500 credit limit on the credit card would equate to around 5.6% of her declared gross annual income. Even if this was added to her existing unsecured debt of £696, this would equate to around 13.4% of her declared gross annual income.

So I'm not persuaded that it would have been proportionate for Vanquis to carry out further checks here based on Ms C appearing to not be overindebted, no historical adverse information showing on her credit file by the CRA Vanquis used, and her having no recent arrears on her accounts.

I'm persuaded that Vanquis' checks were proportionate, and they made a fair lending decision to approve Ms C's application and to provide her with a £500 credit limit.

March 2018 credit limit increase - £500 to £1,000

I've looked at the information available to Vanquis when they increased Ms C's credit limit. The information showed that since the Vanquis account was opened, Ms C incurred no overlimit or late fees.

Ms C's unsecured active borrowings were showing as being £981, which was higher than at account opening. The data from the CRA does show that Ms C had recent financial difficulties as she had been in arrears by two months on at least one account four months prior to these lending checks. In the month prior to the checks she had been showing a worst current status of one month in arrears.

While it could be argued that Ms C did not show any current arrears at the time of the checks for this lending decision, the data from the CRA showed a delinquency value of £18 at the time of the checks, which could indicate Ms C couldn't afford to pay the £18 to bring her account within her credit limit. So I'm persuaded that Vanquis should have completed further checks to ensure that the doubling of her credit limit would be affordable and sustainable for her.

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 Ms C to get an understanding of why she had the recent arrears. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Ms C has provided her bank statements leading up to this lending decision. Her transactions show that her only source of income are child benefit and child tax credits. In December 2017, her income from these benefits was for £282.55, in January 2018 it was for £263.30, and in February 2018 it was for £242.60. Ms C often withdrew cash on the same day or shortly after the benefits were paid.

The average income for the three months I looked at for Ms C was around £262.82, which if multiplied by 12 to get an annual net income would be £3,153.84. So the new Vanquis credit limit would be just under a third of her net income, but if this was added to the existing external debt she had, then Ms C would have a much higher debt to income ratio.

Given that the benefits were relating to children, it would be reasonable to expect that Ms C

would need to spend this money on outgoings for her children as opposed to servicing debt. The £3,153.84 was less than half of what Ms C originally declared as her income. So based on all of these factors, if Vanquis had requested Ms C's bank statements as part of a proportionate check, I'm persuaded they wouldn't have approved this credit limit increase based on what the further checks would have shown. So I can't conclude that Vanquis made a fair lending decision here.

Further credit limit increase

If Ms C's credit limit was not increased to £1,000, I think there is an argument for saying that Ms C's complaint about the subsequent lending decision 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 March 2018, I'm not persuaded Ms C 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 Ms C 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. Ms C did not inform me if she 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 £500 after the credit limit increase in March 2018;

If the rework results in a credit balance, this should be refunded to Ms C 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 Ms C's credit file recorded after the credit limit increase in March 2018;

Or, if after the rework the outstanding balance still exceeds £500, Vanquis should arrange an affordable repayment plan with Ms C for the remaining amount. Once Ms C has cleared the balance, any adverse information recorded after the credit limit increase in March 2018 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 considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Ms C how much they've taken off. They should also give Ms C 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 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 Ms C to accept or reject my decision before 15 July 2025.

Gregory Sloanes
Ombudsman