

The complaint

Mr O complains that Vanquis Bank Limited (Vanquis) irresponsibly provided him with credit.

What happened

In 2017 Vanquis provided Mr O with a credit card with a limit of £500. By April 2019 the credit limit had increased to £2,250. While the card had been used in the meantime, the balance on the account had been zero since April 2021.

In around February 2023, Vanquis contacted Mr O and offered him a six month 0% balance transfer promotion. Mr O took advantage of this in March 2023 and transferred £2,000 from another lender. In May 2023, the credit limit on the card increased to £3,000. Mr O subsequently experienced some financial difficulty and believes that the balance transfer offer ultimately precipitated these issues. He's been very clear throughout that his complaint relates to the period after he carried out the balance transfer and not before. His complaint was rejected by Vanquis. It's fair to say that the final response letter issued by Vanquis doesn't explicitly deal with the balance transfer aspect of Mr O's complaint. Rather, it has focused on the decisions made by Vanquis in relation to the original account opening and subsequent credit limit increases. Regardless of that, Vanquis considered that its lending had been appropriate throughout.

Mr O remained unhappy and brought his complaint to this service. One of our investigators reviewed matters and considered that Vanquis' lending had not been irresponsible. Our investigator concluded that it was reasonable for Vanquis to make the balance transfer offer and that Vanquis had not lent irresponsibly.

Whilst Vanquis agreed with our investigator's view, Mr O didn't.

I previously issued a provisional decision which said the following:

"I've considered all the available evidence and arguments to decide what I currently think is fair and reasonable in the circumstances of this complaint.

I've looked at all of the information on file, although I may not have commented on everything. Having done so, I've reached a different conclusion to our investigator. I'll explain my reasons why.

The rules and regulations in place at the time Mr O was provided with the credit card, required Vanquis to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means that Vanquis had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr O. In other words, it wasn't enough for Vanquis to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr O.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking.

I've kept all of this in mind when thinking about whether Vanquis did what it needed to do before making its balance transfer offer and the subsequent credit limit increase.

The balance transfer offer made in around February 2023

I've outlined above what the expectations are when lenders make a decision to provide credit. However, the balance transfer offer in this case is not, of itself, a decision by Vanquis to provide new credit or increase an existing credit facility. Mr O's credit limit of £2,250 had been in place since April 2019. In these circumstances, I don't consider that it was necessary for Vanquis to carry out an affordability assessment or carry out a credit check when it made the offer to Mr O.

I've looked at the file and I can't see any other evidence in relation to the balance transfer that suggests that Vanquis acted unfairly. Therefore, I'm not minded to uphold Mr O's complaint in relation to Vanquis' balance transfer offer.

Credit limit increase in May 2023

Mr O was offered a credit limit increase to £3,000 in May 2023. In its final response letter Vanquis stated that this was dependent upon the completion of an income and expenditure assessment. I've subsequently asked Vanquis about this and whether this was something that Mr O was required to provide. In its response to this service, Vanquis has merely resubmitted its business file with some corrected information. I've, therefore, concluded that Vanquis' lending decision was based upon the contents of this file.

Vanquis carried out a credit check. This showed that there were no County Court Judgments and no recent defaults. Mr O's overall indebtedness was around £17,600. In terms of affordability, Vanquis used statistical data and estimated that Mr O's income was £1,500, and his total expenditure was around £1,360. It decided to increase Mr O's credit limit to £3,000.

I've thought carefully about what reasonable and proportionate checks are in these circumstances. I think that the increase of £750 to Mr O's credit limit was fairly modest and I think the checks that Vanquis made were reasonable and proportionate. It carried out a credit check and had carried out an affordability assessment.

However, those checks showed that Mr O would only have around £140 each month after allowing for his monthly outgoings. Vanquis has highlighted that Mr O was the beneficiary of a 0% balance transfer offer and, therefore, he was likely to be saving interest, fees and charges that he might otherwise have incurred. Whilst I understand the point that Vanquis has made, the affordability assessment that was carried out showing his monthly disposable income at £140 was carried out after he had transferred £2,000 in March 2023. And, the 0% promotion would end in three to four months' time. Mr O's disposable income was likely to reduce when the promotion came to an end. In any event, £140 is a small amount of disposable income and provides very little allowance for unexpected expenditure. Even a modest amount of unforeseen spending could have created financial difficulties for Mr O.

So, while I agree that Vanquis' checks were reasonable and proportionate, I'm currently minded to say that it didn't make a fair lending decision and shouldn't have increased Mr O's credit limit.

In most cases where credit has been provided where it shouldn't have been, it would be fair and reasonable for the lender to refund any interest and charges paid by the borrower. And, the borrower would usually be expected to repay any remaining amount of the money they had been lent. So, I'd expect Mr O to pay back the money he was lent, but not the interest.

With this in mind, I'm proposing that Vanquis do the following to put things right for Mr O:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £2,250 after May 2023.*
- 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 after May 2023.*
- Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mr O for the remaining amount. Once Mr O has cleared the balance, any adverse information in relation to the account should be removed from their credit file.*

** HM Revenue & Customs requires Vanquis to take off tax from this interest. Vanquis must give Mr O a certificate showing how much tax it has taken off if he asks for one.*

Vanquis says it has sold the debt to a third party, so I'm minded to direct that it should arrange to either buy back the debt from the third party or liaise with it to ensure the redress set out above is carried out promptly.

In reaching my provisional decision, I've also considered whether the lending relationship between Vanquis and Mr O might have been unfair to Mr O under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that what I'm proposing above results in fair compensation for Mr O given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award would be appropriate in this case.

"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.

Mr O responded to my provisional decision indicating that he agreed with it. He mentioned some further matters but they are not relevant to this decision, so I won't comment on them here. Vanquis didn't respond.

With that in mind, no further evidence has been provided that's led me to change my mind from my provisional decision, so what I've said above still stands.

Putting things right

To put things right, Vanquis should do the following:

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My final decision

My final decision is that I uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 23 March 2026.

John Butler
Ombudsman