

The complaint

Mr H complains that Vanquis Bank Limited (“Vanquis”) acted irresponsibly when it granted him a credit card account with a credit limit of £500 and again when it increased his credit limit to £1,250.

What happened

In March 2017 Mr H applied for a credit card account with Vanquis. In his application, Mr H said he was employed with an income of £29,854.

Vanquis completed a credit search and assessed the information this returned. It approved Mr H’s application with a credit limit of £500.

In November 2017 Vanquis wrote to Mr H to say this it was planning to increase his credit limit to £1,250 and if he didn’t want the increase he could reject it within 30 days.

In December 2018, and having not heard from Mr H, Vanquis increased Mr H’s credit limit to £1,250.

In April 2018 Mr H started to incur over limit charges for going over his credit limit of £1,250.

In August 2018 Mr H started to incur late payment charges for failing to make payment to his account.

Following the above Vanquis issued Mr H with a default notice in respect of his account and registered the same with various credit reference agencies.

In August 2019 Mr H complained to Vanquis that it had acted irresponsibly in granting him the account in March 2017 and in increasing his credit limit in December 2017. He said that on both occasions Vanquis didn’t do enough to check his financial situation.

In September 2019 Vanquis sold the account debt onto a third party.

Vanquis didn’t agree it had acted irresponsibly in either approving Mr H’s application or in increasing his credit limit. It said it used the information Mr H had provided before approving the account and completed the necessary checks to ensure the credit was affordable before approving the account and the credit limit increase.

Unhappy with the response from Vanquis, Mr H brought his complaint to our service. An investigator looked into the matter. She found that Vanquis had acted responsibly in approving the account (with a credit limit of £500) but not in granting the credit limit increase.

Vanquis agreed with the investigator's view but Mr H didn't. Therefore the complaint has been passed to me for review and decision.

Prior to Mr H's complaint being decided by me, Vanquis provided our service with Mr H's account statements. These showed that prior to the increase in Mr H's credit limit he incurred interest of £97.76 and after the increase he incurred interest and charges of £479.46. Vanquis also confirmed that it had reacquired Mr H's debt from the third party it had sold it to and that it was prepared to reduce this debt, now it was back with it, by £479.46.

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.

It's clear Mr H has very strong feelings about this complaint. He has provided detailed submissions in support of his view which I can confirm I've read and considered in their entirety. However, I trust that Mr H will not take the fact that my findings focus on what I consider to be the central issues, and that they are expressed in considerably less detail, as a discourtesy. The purpose of my decision isn't to address every point raised. The purpose of my decision is to set out my conclusions and reasons for reaching them.

I would also add that I'm only considering in this decision Mr H's complaint that Vanquis acted irresponsibly when it granted him a credit card account with a credit limit of £500 and again when it increased his credit limit to £1,250 and not any other concerns he might, or might not, have about the management and administration of his account by Vanquis.

the initial approval of the account with a credit limit of £500

When lenders look at any application to borrow money, they need to make sure there are proportionate checks in place. The checks should ensure that any credit that's approved is affordable and sustainable for the borrower. There's no set list of checks a lender must complete and it's up to each business to decide how it wants to approach assessing applications. But I think it's fair to expect them to consider the information provided to them in the application by the borrower, a review of their credit history and any other information it may already know about that person. So, what I need to consider is whether I think the checks completed by Vanquis were reasonable based on the credit it provided.

Mr H says Vanquis should have asked for and checked salary slips in support of his declared income and sought proof of his employment from his employer. But the fact that it didn't doesn't mean it has been irresponsible – in some circumstances it won't be unreasonable for a lender to rely on information it has been given on an application when deciding if credit should be provided. This is especially in circumstances – such as in this case – where the consumer is lent a relatively small amount and it needs to be repaid within a reasonable period of time rather than all in one go. It should also be noted that Mr H isn't saying that he wasn't, at the material time, earning the £29,854 he declared he was. So I'm not persuaded that Vanquis has done anything wrong here.

Vanquis completed a credit search on Mr H and it has provided our service with the results of this search for me to review. These search results, in summary, show that Mr H had six small active credit commitments with no arrears, no county court judgements and no defaults younger than 16 months old.

Now having reviewed these search results, and given the income Mr H says he was earning in March 2017, I'm satisfied that the granting of the account (with a relatively low credit limit) wasn't irresponsible as the information indicates that it wasn't unreasonable to expect Mr H to be able to make payments to clear the balance within a reasonable period of time.

The decision on whether to provide credit to an individual is ultimately down to the lender and the fact that Mr H may have had some historical payment issues doesn't necessarily mean he shouldn't have been considered for the account, where the information to hand suggested he'd be able to make the necessary payments.

Vanquis has shown that it followed a process to see if Mr H met its lending criteria for the credit and I'm satisfied that these checks were proportionate, based on the amount of credit being granted and that the lending was done responsibly.

the increase in the credit limit to £1,250

Vanquis, having considered the investigator's view, accepts that it possibly didn't act responsibly in increasing Mr H's credit limit by £750 to £1,250 in December 2018. So other than saying I agree this increase wasn't responsible, I make no further comment or finding on this particular point.

Putting things right

Given what I say above what I now need to decide is what Vanquis should have to do, if anything, to fairly and reasonably compensate Mr H.

Had Vanquis not increased Mr H's credit limit he wouldn't have been able to make the purchases that he did following this credit limit increase taking effect. He also wouldn't have incurred the interest and charges these purchases attracted.

Now it's my understanding, in respect of the credit limit increase, that Mr H would like any debt he incurred following the same to be written off. Now I understand why Mr H might hold such a view, but equally I can't ignore the fact that he has had the benefit of the purchases made. So, taking everything into account, I think the fairest outcome is for Vanquis to write off any interest and charges Mr H's purchases attracted but not the capital cost of those purchases, something it has already agreed to do.

I can see that the investigator suggested that Vanquis should pay Mr H interest on the above 'write off' and that his credit file record be amended to show a credit limit on the account of £500.

However, I'm satisfied that no interest needs to be paid because Mr H's account will not be returned to a credit balance after its reduced by the interest and charges incurred post credit limit increase. I also see no benefit to Mr H in directing Vanquis to reduce the credit limit recorded with credit reference agencies to £500 from £1,250. Indeed, it could be said that in making no reduction returns a benefit to Mr H.

My final decision

My final decision is that Vanquis Bank Limited must:

- having reacquired Mr H's debt, reduce it by £479.46 as it has already agreed to do
- pay Mr H £100 for the distress and inconvenience this whole matter has caused him

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 December 2020.

Peter Cook
Ombudsman