

The complaint

Mr S says Vanquis Bank Limited irresponsibly lent to him.

What happened

Mr S says Vanquis increased the limit on his credit card three times by large amounts which plunged him into debt. And he had not given his consent.

Mr S opened his account in March 2017, he was given a £250 limit. Vanquis says it increased Mr S's limit to £500 on 5 July 2017, to £1,250 on 4 December 2017 and to £2,750 on 4 October 2018. Each time it notified him in advance, giving a 30-day opt out period. And each time it carried out adequate checks to ensure the lending was affordable for Mr S.

Our investigator upheld Mr S's complaint in part. He felt the checks were proportionate for the first two increases and those lending decisions were fair. But he said further checks were needed for the third increase, and better checks would have shown the increase to be unaffordable for Mr S. He laid out what Vanquis would need to do to settle the complaint.

Vanquis accepted this assessment.

Mr S said he didn't feel he should have to repay any of the outstanding balance as the debt collectors chasing this money have made his life a misery – he doesn't agree he had a benefit from the credit and asks that the debt is written-off.

As an agreement wasn't reached between the parties, the complaint was passed to me to make a final 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.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make fair lending decisions; and finally, did it treat Mr S unfairly in some other way.

Vanquis carried out the same checks prior to each limit increase. It completed a credit check to understand Mr S's total level of debt and how he was managing his accounts. It also reviewed how he was using and repaying this account.

I think these checks were proportionate for the first two limit increases, particularly given the initial results they generated. The credit check in July showed Mr S had no other unsecured

debt and in December it was £2,567. There was no recent adverse data on his credit file. And Mr S was managing his Vanquis card well. In these circumstances and given the value of the limit increases I think it was reasonable for Vanquis to assume Mr S still earned £43,000 as he had declared at the point of application earlier in the year, and that he would be able to repay the increased credit sustainably. There were no indications he was under financial pressure at all.

It follows I find Vanquis made fair lending decisions when it increased Mr S's limit in July and December 2017.

As there is no longer a dispute between the parties about the third limit increase and Vanquis accepted the investigator's assessment that it lent irresponsibly I need not comment further on that. I will focus here on the redress as that remains in dispute.

The investigator set out that Vanquis must refund all interest and charges applied on balances over £1,250. But Mr S said if Vanquis agrees it was irresponsible, and as the debt collection process has caused him a lot of distress, surely it should write-off the debt.

But I disagree. I have found no reason in this case to deviate from our standard approach to redress in irresponsible lending complaints. We do not typically instruct lenders to write off capital balances as the borrower has had the use of that money.

As our investigator explained, if Mr S wants to complain about the conduct of the debt collectors he must first raise a complaint with that organisation. If he is unhappy with its response he can of course bring a new complaint to this service.

Finally, I note Mr S said he was given the increases automatically and he did not give his consent. But Vanquis has confirmed it provided email notifications that gave Mr S 30 days to turn down the increases if that was his preference. So I do not find he was treated unfairly in that regard.

Putting things right

As Vanquis should not have increased Mr S's credit limit above £1,250, I don't think it's fair for it to have applied any interest or charges on any balances which exceeded that limit. Therefore, Vanquis should:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £1,250.
- If the rework results in a credit balance, this should be refunded to Mr S along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Remove all adverse information recorded after 4 October 2018 regarding this account from his credit file.
- Or, if after the rework the outstanding balance still exceeds £1,250, Vanquis should arrange an affordable repayment plan with Mr S for the remaining amount. Once there is no outstanding capital balance, any adverse information recorded after 4 October 2018 in relation to the account should be removed from Mr S's credit file.

As the debt has been sold to a third party, Vanquis 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 S 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.

My final decision

I am upholding Mr S's complaint in part. Vanquis Bank Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 2 January 2024.

Rebecca Connelley
Ombudsman