

The complaint

Mr F, through a representative, says Vanquis Bank Limited irresponsibly lent to him.

What happened

Mr F applied, and was accepted, for two credit cards from Vanquis. He received a number of limit increases on card 1. A summary of the lending is set out below.

card 1	date	limit
	23/05/2011	£500
	10/10/2011	£1,000
	08/03/2012	£1,500
	08/10/2012	£2,500
	08/03/2013	£3,000
card 2	22/11/2017	£1,000

Mr F says Vanquis didn't ask him any questions to confirm that he would be able to repay the credit facility in a sustainable way. He already had multiple other debts at the time. The lender increased his credit limit without reassessing his situation. He suffered financial hardship as a result.

Vanquis did not uphold Mr F's complaint so he came to this service.

Our investigator upheld Mr F's complaint in part. She said the lender's checks for card 1 were not proportionate. But as Mr F had not provided evidence of his financial circumstances at the time she could not fairly conclude the lending decisions were unfair. However, she thought the checks for card 2 showed the credit would not be sustainably affordable and so she upheld Mr F's complaint about that line of credit.

Vanquis did not reply to this assessment and so the case 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 F unfairly in some other way.

I can see Vanquis reviewed certain information before lending to Mr F. At the point of application for both cards it asked Mr F about his annual income and his employment status. It carried out credit checks to understand his credit history and existing credit commitments. At the time of the limit increases for card 1 Vanquis refreshed its credit checks and reviewed Mr F's internal account management. From these checks combined Vanquis calculated the amount of credit that would be affordable for Mr F.

Card 1 – application and limit increases

I am not persuaded the checks were proportionate at the point of application as there were some possible indicators of financial strain in the results of the credit check. Two of Mr F's existing cards were overlimit and in light of this I think Vanquis needed to carry out more checks to get the assurances it needed that Mr F was not under financial pressure. It had not verified Mr F's declared income, nor had it gathered any data on Mr F's outgoings (estimated or actuals).

In cases like this we look at bank statements for the three months prior to the lending decision to allow us to understand what better checks would most likely have shown. However, Mr F has been unable to provide bank statements so I cannot know that the lending decision was unfair. And based on what Vanquis did know (Mr F's declared income was £50,000 and he had £5,700 of debt with no defaults or CCJs) I cannot say there was anything to mean Vanquis ought to have outright declined the application based on what it knew.

I also think Vanquis ought to have checked Mr F's income before giving the limit increases but again without more evidence of his actual finances at the time I cannot conclude Vanquis was wrong to increase Mr F's limit. The credit checks it carried out did not show an increase in Mr F's level of indebtedness, nor any defaults, CCJs or short-term lending. So there is not enough there for me to say the limit increases were wrong.

It follows I cannot conclude Vanquis was wrong to give the first card and subsequent limit increases to Mr F.

Card 2

I am not persuaded the checks detailed above were proportionate, but I won't comment further on this as here I find Vanquis ought to have realised even from the information it gathered that the credit was unlikely to be sustainably affordable for Mr F. I'll explain why.

The credit check showed Mr F's unsecured debt level was now around £20,000. Mr F was overlimit on a credit card; he had recently taken out a payday loan and more critically he had been using such products frequently over the last 24 months. So I think there was clear evidence that Mr F had become dependent on credit and was in a harmful cycle of borrowing to repay. In these circumstances Vanquis ought to have realised that offering more credit to Mr F would most likely cause him financial detriment.

It follows I find Vanquis was wrong to open the second card for Mr F.

I have not seen any evidence it treated Mr F unfairly in some other way.

Putting things right for card 2

As I don't think Vanquis ought to have opened the second account, I don't think it's fair for it to be able to charge any interest or charges under that credit agreement. But I think Mr F

should pay back the capital amounts he has borrowed. Therefore, Vanquis should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr F 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 F's credit file.
- Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mr F for the remaining amount. Once Mr F has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

As Vanquis has sold the debt to a third party, it 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 and accurately.

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Mr F a certificate showing how much tax has been taken off if he asks for one. If it intends to apply any refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

I am upholding Mr F's complaint in part in relation to card 2. 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 F to accept or reject my decision before 15 May 2024.

Rebecca Connelley
Ombudsman