

## **The complaint**

Mr G complains that Vanquis Bank Limited accepted his application for a credit card and increased his limit when he says he couldn't reasonably afford it.

## **What happened**

Mr G applied for a credit card with Vanquis in October 2015. His application was accepted and Vanquis gave him a credit limit of £1,000.

In 2017 Vanquis increased Mr G's credit limit to £1,750 and then £2,500. Then it increased it again in January 2019 to £3,500.

In March 2019 Mr G made a complaint to Vanquis. He said that he was in a lot of debt and was on a low income. So he was struggling to make repayments. He said at the time he took out the credit card he had defaults showing on his credit file and a number of pay day loans, so Vanquis shouldn't have agreed the lending in the first place. Further he said the increases to his credit limit were also inappropriate given his circumstances and have led to a spiral of debt.

Vanquis didn't uphold his complaint. It said it had carried out a credit check when he applied for the new credit so had been aware of his credit history. It said it provides credit for those who may struggle to get it elsewhere, so may accept applicants who have defaulted in the past. It said the most recent default was two years ago and the household income he provided indicated he would be able to keep up repayments on his debt.

Mr G didn't think this was fair. He said his credit file had shown he was clearly unable to manage his credit accounts and so he shouldn't have been accepted from the start. He brought his complaint to this service.

Our investigator considered all the issues but didn't recommend the complaint be upheld. She said Vanquis had provided proof of the checks it had carried out and she was satisfied that these were sufficient for it to make a decision. Further she said she thought the credit limit increases were fair based on the information Vanquis had available.

Mr G didn't agree with our investigator's view. He provided a copy of his credit file at the time and said he thinks it clearly shows he wasn't managing his debt well. So Vanquis hadn't acted fairly when approving his credit card application and increasing his limit. He asked for an ombudsman to review his complaint.

## **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 G feels Vanquis acted irresponsibly by offering him credit that he says he couldn't afford and then by further increasing his limit. When looking at complaint of this nature I need to

decide whether the checks Vanquis carried out when making the lending decisions were appropriate and proportionate. And if it made a fair decision based on the information available from those checks.

### **Initial application**

Vanquis has provided us with the information it requested at the time of Mr G's application. I can see it requested a credit check and questioned Mr G about his total income and household income. Given the initial credit limit it offered was £1,000 I think these checks are appropriate and proportionate. It allowed Vanquis to assess Mr G's current lending from other sources and the income he had in order to meet repayments.

I have also considered whether Vanquis made a fair decision to lend, based on this information. Mr G has provided a full copy of his credit file at the time of his application. He says this shows he had a number of pay day loans, so it wasn't suitable for him to borrow additional credit.

I have looked at the information in the report. I can see that Mr G has had credit from a number of sources, including pay day lenders. However most of these accounts were settled and closed by the time he made the application. And any lending he had at the time was minimal and showed he was up to date with payments.

He also has a few defaults registered on his file. So it is clear that Mr G has had problems managing credit in the past.

Vanquis has explained that it offers credit to higher risk applicants than other banks, in order to help rebuild their credit ratings after difficult credit history. So it says it considered the adverse information on Mr G's file, but still decided to offer credit. It said as the last time Mr G defaulted was over two years ago, this was sufficient for it to offer credit. However it also said due to this difficult history, it offered a modest credit limit of £1,000.

I have considered this and based on the evidence available to Vanquis, I think this is a fair decision. It is clear from Mr G's credit report that he had experienced problems with credit in the past. But it appeared that his situation at the time of the application was much improved. He had very little borrowing and was up to date with payments. Vanquis has said it accepts applications from borrowers who may be declined elsewhere, and it isn't for me to say how much of a perceived risk it should take on. However I am satisfied from the checks it carried out and the amount of credit offered, that Vanquis acted fairly in handling Mr G's application.

### **Credit limit increases**

Mr G has also said he thinks Vanquis shouldn't have increased his credit limit on the three occasions it did.

Vanquis has said it based these decisions on Mr G's management of his credit account and a further credit check. It says that there was only one occasion up until 2019 when a monthly payment was missed, otherwise the account had been up to date. It said Mr G had been making payments well in excess of the minimum due. Further it said its checks had shown no further defaults on his file. Based on this it offered an additional three credit increases.

I have looked at the account statements from Mr G's credit card account and can see it was well managed. Further Vanquis has said it send a letter to Mr G each time advising him of the credit increase and asking him to get in touch if it wasn't appropriate.

Mr G has said he was struggling to keep up with payments to his credit at this time. However he didn't inform Vanquis of his financial difficulties and accepted the limit increases rather than contacting it. Vanquis based its decision on the information it had. And from what it could see, Mr G was keeping up with payments. So I don't think Vanquis acted unfairly based on the information it had. And I think the checks it did were sufficient in the circumstances.

I therefore think Vanquis acted fairly by accepting Mr G's initial application and subsequently increasing his credit limit. I therefore won't ask Vanquis to do anything differently.

### **My final decision**

For the reasons I have given, I won't require Vanquis Bank Limited to do anything differently.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 17 June 2020.

Sophie Goodyear  
**Ombudsman**