

The complaint

Mr K complains Vanquis Bank Limited continually increased his credit limit. He says it did so irresponsibly.

What happened

Mr K applied for a Vanquis credit card in 2014. He was given a credit limit of £500. This increased on three occasions, reaching a limit of £2,500 in November 2016. Recently, Mr K complained that these increases shouldn't have been offered to him. He says he had a lot of other debt including a number of "payday" loans in the background. And he says Vanquis shouldn't have increased his credit limit.

One of our investigators looked into the complaint, but he thought Vanquis hadn't done anything wrong. Mr K disagreed saying the credit limit increases were unaffordable. He asked for the complaint to be reviewed. So it's been passed to me to consider.

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.

When offering a credit limit increase, a lender must carry out checks which are reasonable and proportionate to the amount being lent. Mr K's credit limit was increased on three occasions over a period of more than two years. During that time, Mr K typically made his payment on time, and regularly made more than his minimum payment. And he never exceeded his limit. Based on this alone, I don't think Vanquis would've had reason to think the increases were unaffordable to him. But I've gone on to consider the other factors and circumstances at the time.

Mr K says that Vanquis should have been aware his credit limit increases weren't affordable because of information on his credit file that showed he was borrowing from payday lenders. And that his credit elsewhere was increasing. Vanquis has shown us that it did carry out its usual checks before offering the credit limit increases and took all of these factors into consideration. It's told us what additional credit it thought Mr K had at the time of each increase. And this roughly ties in with the credit report Mr K has provided to us. Whilst Mr K's credit balances were increasing elsewhere, I don't think it was by an amount that meant that the increases being offered were unaffordable. Again, I'm satisfied Vanquis fairly considered all of this whilst applying its lending criteria before offering each credit limit increase.

Vanquis did look for short term credit, such as payday loans, on Mr K's credit file but didn't find any at the time. I appreciate Mr K's since shown us his credit file does contain information about loans from short term lenders but that wasn't something Vanquis saw when it checked. This is because some credit reference agencies won't report everything a customer has. This is unfortunate, but Vanquis isn't required to check all credit reference agencies. Furthermore, having payday loans in itself doesn't necessarily mean a credit limit increase will be unsuitable. It may've been that this might help someone get out of the cycle of payday loans.

Each time Vanquis intended to increase Mr K's limit, it wrote to him to confirm its intentions and gave him the opportunity to decline the increases, which he didn't. There was no obligation for Mr K to accept the credit limits if he didn't want to. So, I think it's likely he thought the increases would be useful.

Overall, I'm satisfied that Vanquis did the checks it was required to each time Mr K was offered a credit limit increase. And given that Mr K was able to maintain his payments, and has since cleared the balance, I can't find that the borrowing was unaffordable.

My final decision

My final decision is I don't uphold this complaint.

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

Rob Deadman
Ombudsman