

The complaint

Mr B complains that Vanquis Bank Limited irresponsibly allowed him to open a credit card account that was unaffordable and then increased his credit limit.

What happened

Mr B says he opened the credit card account in 2015 and had a default registered on his credit file and a County Court Judgement (CCJ). He says the credit limit was increased up to £3,000 and says the lending was unaffordable and irresponsible. Mr B would like the balance he owes reduced and for Vanquis to review its lending policy. He also says he was using payday lending to repay the credit card debt.

Vanquis says it credit scored the application and the later credit limit increases. It says Mr B told it he had an income of over £20,000 a year and it did consider the default which was registered some time before the application and the CCJ. It also says the original credit limit was modest at £250 and it considered how Mr B managed his account before offering the credit limit increases which he could have rejected. Vanquis says Mr B told it about financial difficulties in 2019 some time after the last increase and has tried to help him.

Mr B brought his complaint to us and our investigator didn't uphold it. The investigator thought Mr B had approximate disposable income at the time of the application of over £400 and managed his account appropriately until 2019. The investigator didn't think Vanquis could have known how Mr B was funding the repayments and thought its checks appropriate. The investigator also thought Mr B could have rejected the increases and Vanquis was not aware of the financial difficulties until about July 2019 when Mr B told it about them.

Mr B doesn't accept that view and says he had other complaints about unaffordable loans upheld and also says Vanquis ought to have known about his payday lending.

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.

Having done so I have come to the overall view that Vanquis hasn't made a mistake and that its lending was not unaffordable or irresponsible. I appreciate Mr B will be disappointed by my decision and I make clear the we look at each complaint individually. I also make clear that lenders should carry out reasonable and proportionate checks when lending, but those checks will vary depending on the circumstances of the lending and for example the type of credit and the amount. This is a complaint not about a loan but about the decision to allow Mr B a credit card and to allow the potential for further borrowing by increasing the credit card limit.

I'm satisfied that Vanquis carried out appropriate and proportionate checks on Mr B's initial credit card application. I can see that Mr B was in full time employment and earned over £20,000 a year. I can also see that Vanquis considered both the default and the CCJ and

concluded that Mr B had over £400 disposable income every month. I think both the CCJ and in particular the default were registered on Mr B's credit file some time before this credit card application in 2015. I'm satisfied the credit limit offered to Mr B was relatively low at £250 and that appropriate credit checks were carried out.

I have looked at Mr B's credit card statements and Vanquis's records and I'm satisfied Mr B managed his account appropriately by making required payments. I think those payments were normally more than the minimum required payment. So, I don't think Vanquis acted irresponsibly by offering Mr B the credit limit increases and I'm satisfied that it carried out reasonable and proportionate checks on each of them. I also think Mr B could have rejected the increases if he wished. And I'm satisfied that Mr B continued to manage his account appropriately for some considerable time after the last credit limit increase which I think also provides evidence that at the time the increases were affordable.

I can see that Mr B experienced financial difficulty in 2019 and he told Vanquis that and that he had a reduction in his salary. I can also see that Mr B started using short term lending more frequently and also applied for other types of loans. I accept in those circumstances, lenders ought to treat borrowers positively and sympathetically and, although Mr B's complaint is not about such matters, I'm satisfied Vanquis has acted in such a way here. I can see that it agreed a short-term plan and refunded interest as well as reducing interest rates.

Overall, I think that Mr B experienced financial difficulty some time after the last credit limit increase. I don't think Vanquis could have known how Mr B was funding his credit card payments and think that it carried out reasonable and proportionate checks when offering the increases and when it opened the account. For those reasons I can't fairly order Vanquis to reduce Mr B's debt as he would like, and I make clear that we are not its regulator, and so can't order it to change its lending practice.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 25 January 2021.

David Singh
Ombudsman