

The complaint

Mr W believes that Vanquis Bank Limited lent to him irresponsibly and that had sufficient checks been performed, both at the time of the initial credit card application and the subsequent credit limit increases, it would have been apparent that this lending was not affordable for him.

What happened

Mr W applied for a credit card with Vanquis in May 2018. The application was successful, and Vanquis issued Mr W with a credit card with an initial credit limit of £500.

In December 2018 Vanquis offered to increase the level of credit on the card to £1,500. A further offer to increase the credit limit to £2,500 was made in May 2019. In both instances, Mr W did not decline the credit limit increases offered, and so they were implemented by Vanquis.

Towards the end of 2019, Mr W made a complaint to Vanquis. Mr W felt that his financial circumstances were such that he hadn't been able to afford the credit card both at the time that he initially applied for it, and at the times of the subsequent credit limit increases. Mr W also felt that this should have been apparent to Vanquis, had they undertaken appropriate checks into his financial circumstances at those times.

Vanquis responded to Mr W's complaint in December 2019. Vanquis felt that they had undertaken sufficient checks into Mr W's financial position and noted that as a result of those checks it remained their position that the offers of credit to Mr W were appropriate and that they hadn't lent to Mr W irresponsibly. So, Vanquis didn't uphold Mr W's complaint.

Mr W wasn't satisfied with this response, so he referred his complaint to this service. One of our investigators looked at this complaint. They felt that Vanquis hadn't acted inappropriately in initially approving Mr W for the credit card, or when they later increased the credit limit on the card to £1,500. However, our investigator was concerned about Mr W's circumstances at the time of the second credit limit increase to £2,500, as it appeared that Mr W's level of indebtedness had increased significantly around this time.

Vanquis responded to our investigator and explained that while it was the case that Mr W's level of debt had gone up around the time that the second credit limit had been approved, the large increase in indebtedness had only occurred after the credit limit increase had taken place, and so knowledge of this debt increase hadn't been available to them when making their assessment. Because of this, Vanquis felt that they it had been appropriate for them to approve the credit limit increase to £2,500, based on the information that they had available to them at that time. Our investigator agreed with Vanquis' explanation, and so they didn't uphold Mr W's complaint.

Mr W remained dissatisfied, so his complaint was escalated to an ombudsman for 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.

It's for a business to decide whether it will offer credit to someone and, if so, how much and on what terms. What we'd expect is that a lender carries out reasonable and proportionate checks as to the affordability of any lending. So that's what I've considered here in reaching my decision.

Vanquis' business model includes 'second-chance' lending, and so it's not unusual for Vanquis to receive applications for credit from people with levels of existing debt. That doesn't mean that they shouldn't carry out reasonable and proportionate checks before they lend to a customer.

Here, Mr W was first approved for the credit card in May 2018. As part of the credit card application process Vanquis reviewed the information that Mr W had provided to Vanquis during his application and checked Mr W's credit file. The credit check showed Vanquis that Mr W did have a level of non-mortgage debt at that time, but it also showed that Mr W hadn't defaulted on any of his existing debt.

It appeared from Mr W's credit file that he was actively managing his existing debt without issue at that time and hadn't missed any scheduled repayments. And there was nothing in the information that Mr W had provided Vanquis himself that gave Vanquis cause to consider that the credit card might be unaffordable for him. So, it's difficult for me to conclude that Vanquis have acted inappropriately when they approved Mr W for a credit card with an initial limit of £500, because it appears from the information that Vanquis had available to them that that this credit facility was affordable to Mr W, at that time.

I understand that Mr W feels that, had Vanquis undertaken more robust checks into his personal circumstances, they may have arrived at a different conclusion. However, as mentioned above, it is expected that a credit provider undertakes checks that are reasonable and proportionate, and I'm satisfied that the level of checks that Vanquis undertook here meet these criteria, especially considering the relatively low credit limit that Mr W was approved for.

In December 2018, Vanquis authorised an increase of the credit limit on the card to £1,500, and in May 2018 they authorised a further credit limit increase to £2,500. For both limit increases, Vanquis undertook a further check of Mr W's credit file and assessed Mr W's management of the Vanquis credit card to those times.

Vanquis have noted that there was nothing in Mr W's management of their credit card that gave them cause to suspect that Mr W was struggling to afford the repayments, and also that his credit file demonstrated that his overall level of indebtedness was steadily decreasing over time, and also that Mr W appeared to be maintaining his other debt repayments without incident. I've reviewed Mr W's credit file in order to get a better understand of Mr W's circumstances at those times. Having done so, I'm satisfied that Vanquis' assessment of Mr W's circumstances is reasonable here.

I understand that there is some contention over a large increase in the level of Mr W's indebtedness that occurred around the time of the second credit limit increase in May 2019. A significant increase in Mr W's level of debt, such as the one that was reported, may well have given Vanquis cause to reconsider whether a further credit limit increase was appropriate for Mr W.

But Vanquis have shown that they wouldn't have been aware of the increase in Mr W's overall indebtedness at the time that they offered to increase the credit limit here, and that

the increased level of indebtedness was first reported to Mr W's credit file on 18 May 2019 – which was ten days after the offer to increase the credit limit to £2,500 was made to Mr W.

It follows that at the time that Vanquis conducted the assessment into whether this second credit limit increase was affordable for Mr W, the information that they had, including the status of Mr W's credit file at that time, supported the view that Mr W could afford the higher level of credit. Because the additional level of indebtedness had not become visible on Mr W's credit file at that time. Considering this, I'm satisfied that Vanquis' offer to increase the credit limit to £2,500 was appropriate at that time, based on the information that Vanquis had available to them.

Mr W has supplied this service with details of the additional borrowing, including payday loans, that he took at various times during the period that he has held the Vanquis credit card, and I have taken this information into account. But ultimately, I have to decide whether it was reasonable for Vanquis to offer Mr W credit on the basis of the information that they had available to them, and while the additional borrowing that Mr W refers to is present on his credit file, it appears from his credit file that this borrowing was repaid without incident.

While I accept that there are certain products, such as pay day loans, that can be indicative of an individual falling into financial difficulties, it's notable from Mr W's credit file that these borrowings were paid back on time. So, taken in consideration with the other information on Mr W's credit file, which included the total level of Mr W's debt visible to Vanquis decreasing over time, and also Mr W managing the Vanquis credit card without significant issue, I can understand why Vanquis felt that it was appropriate for them to authorise the credit limit increases that it did.

As explained previously, I have to base my assessment of this complaint on whether Vanquis acted fairly and reasonably in light of the information that Vanquis had available to them, at the times that they assessed Mr W's financial circumstance. And, as I hope I have been able to explain, in all three instances here, I am satisfied that they did.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 March 2021.

Paul Cooper
Ombudsman