

The complaint

Miss M complains about Vanquis Bank Limited and their decision to approve her application for a credit card account. She also complains about an increase to her credit limit.

What happened

In July 2016, Miss M applied for a credit card with Vanquis. She submitted her initial application online before discussing it further on a phone call.

Miss M stated her personal income to be £20,000 per year, with a total household income of £36,000. Vanquis completed a credit check and approved Miss M's application, providing her with a credit limit of £500.

In November 2016, Vanquis increased Miss M's credit limit to £1000. They say they based this increase on Miss M's management of her account, where she was paying more than the minimum monthly payment on average.

But some time after, Miss M's personal circumstances changed, and she fell into financial difficulty. This meant she was unable to meet her minimum monthly payments. Her account was eventually sold to a third-party company, who I'll refer to as 'L', after she'd missed several payments on the account.

In November 2020, Miss M raised a complaint with Vanquis. She said Vanquis had failed to complete proportionate checks when they offered her the credit card. In particular, she felt Vanquis should've asked for proof of her income. She said if they had, Vanquis would've realised the credit card was unaffordable and wouldn't have given her the account. She also felt Vanquis' decision to increase her credit limit was irresponsible and by doing so, they placed her into further financial difficulty. So, she wanted Vanquis to refund her the interest charges and the late payment fees she'd incurred.

Vanquis didn't agree. They felt they'd completed checks that were proportionate to the credit limit they offered. They thought they acted fairly when relying upon the income information Miss M provided them. And they thought the increase in limit was fair, as Miss M had been managing her account well.

They explained they offered credit to customers with a negative credit history in order to give them an opportunity to improve their credit score. So, they didn't think the information on Miss M's credit file automatically meant they should've declined the application. They explained there had been no defaults in the previous 15 months before the application was made. So, they didn't think they'd done anything wrong and because of this, they didn't think they needed to do anything more. Miss M remained unhappy with this response, so she referred her complaint to us.

Our investigator looked into the complaint and didn't uphold it. He thought the checks Vanquis completed were proportionate to the credit limit they provided in the approved application. And he thought they acted fairly when relying on the income information Miss M provided. He also thought Vanquis' decision to increase the limit was fair, based on the way

Miss M had been managing the account. So, although he recognised the financial difficulty Miss M found herself in, he didn't think this was due to an error Vanquis made. And because of this, he didn't think they needed to do anything more.

Miss M didn't agree. She maintained her view that Vanquis should've asked for proof of her income and that if they had, they wouldn't have provided her with credit. And if they hadn't, she felt she'd be in a better financial position. As Miss M didn't agree, the complaint has been passed to me for a 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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has caused Miss M. I'm aware Miss M was unable to meet the minimum monthly repayments. And by attempting to do so, it left Miss M in a difficult financial situation. Because of this, I can understand why Miss M feels the credit card and its associated limit was unaffordable. And so, I can appreciate why she feels this was the fault of Vanquis. But for me to say Vanquis have done something wrong, I'd need to be satisfied they failed to conduct checks that were proportionate to the limit they were providing Miss M. Or that they failed to assess the information they had available reasonably and if they had of done so, they wouldn't have offered Miss M the credit card. And in this situation, I don't think that's the case.

I think it's important to explain there isn't a set list of checks that a lender such as Vanquis is expected to make before they lend to a customer. When deciding complaints of this nature, I only need to be satisfied that the checks they did make were proportionate to the amount they were offering Miss M.

I've seen Miss M listed her household income as £36,000. And I've listened to the call she held with Vanquis where she confirmed her own personal income was £20,000 a year. And on top of this, she confirmed she didn't expect her circumstances regarding her employment and finances to change in the next six months.

I understand Miss M feels Vanquis should've checked this information was correct. But it was Miss M who provided this information and she confirmed on the call to Vanquis that it was accurate. So, I don't think there was anything to suggest to Vanquis this information wasn't true, or that they should make further enquiries around it.

I'd only expect Vanquis to ask for proof of income if the amount Miss M wanted to borrow was fairly high in comparison to the income she declared. But I've seen Vanquis provided an initial credit limit of £500. This limit was much smaller than Miss M's declared yearly income and because of this, I don't think Vanquis needed to do any further checks around this.

And I've seen Vanquis also completed a credit check before approving the application. This allowed them the chance to assess Miss M's credit history and to ensure she didn't have large amount of outstanding debts that would impact the affordability on the card.

So, I think the checks Vanquis made were proportionate to the initial limit they provided Miss M when they approved the application. And because of this, I can't say they did anything wrong.

I then considered how Vanquis assessed the information they had available to ensure they looked at this fairly for both the initial application and the credit limit increase.

I've seen the credit report they assessed when approving the application. While this shows that Miss M had defaulted on accounts in the past, this was some time before the application was made. And at the time of the application, Miss M had around £300 worth of outstanding debt. It's important to note that Vanquis actively look to provide credit to customers who may struggle to obtain credit elsewhere, in order to assist them with improving their credit history. So, while I appreciate Miss M had defaulted on accounts previously, and this was shown on her credit file, I don't think this meant Vanquis should've automatically declined the application.

The income Miss M provided suggested she had a stable yearly income. And the credit report showed she had been managing well a low level of existing debt. Because of this, I think Vanquis acted fairly when offering Miss M the chance to improve her credit rating with a credit card with a small credit limit. So, I can't say they did anything wrong at this point.

I've then considered the limit increase in November 2016. I've seen at the time Miss M's outstanding balance was less than the credit limit. And I can see she hadn't exceeded the balance limit during the time since she'd received the card. I've also seen she was paying on average more than the minimum monthly payment. So, I think this suggested to Vanquis that Miss M was managing the account well, and an increase would be affordable.

And I've seen Miss M was notified about the increase before it was actioned. She was made aware in the notification letter, as well as the initial application call, that she had the right to refuse the limit increase if she didn't want it. She was also made aware she could opt out of any future increases. I can't see evidence to show Miss M contacted Vanquis to refuse the increase or opt out of any increases to begin with. If Miss M thought the increase would be unaffordable, I'd have expected her to let Vanquis know.

So, I don't think it would be reasonable for me to say that Vanquis acted unfairly when increasing Miss M's credit limit. She'd shown she was able to manage the account effectively, and the increased limit was still relatively low when it was compared to her yearly income and her other outstanding debts. Because of this, I don't think Vanquis need to do anything more.

I understand this isn't the outcome Miss M was hoping for. And I recognise that she may still find herself in financial difficulty which has led from the credit card Vanquis provided. But I hope it goes some way to explaining how Vanquis assessed the affordability of the credit card, and why I don't think they did anything wrong on this occasion.

My final decision

For the reasons outlined above, I don't uphold Miss M's complaint about Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 23 March 2021.

Josh Haskey
Ombudsman

