

The complaint

Mr C complains that Vanquis Bank Limited irresponsibly allowed him to open a credit card account that was unaffordable.

What happened

Mr C says that Vanquis should not have allowed him to open a credit card account and didn't carry out appropriate affordability checks. He says the income he declared wasn't accurate and had numerous debts when the account was opened and when the credit limit was increased. Mr C says he wasn't asked any questions by Vanquis about his mental health and would like all interest and charges refunded. He would also like interest paid on that refund and for any adverse information removed from his credit file.

Vanquis says the account was opened in April 2011 with a credit limit of £500 which was increased to £1,000 in August 2011 and later to £2,000 in April 2012. It says Mr C declared an income of £78,000 and it carried out all appropriate credit checks. Vanquis says Mr C's debt decreased from the time he opened the account and was just over £1,000 at the time of the second credit limit increase. It says the account defaulted in 2014 and Mr C made significant repayments in 2011 and 2012.

Mr C brought his complaint to us and our investigator didn't uphold the complaint. The investigator thought Vanquis carried out appropriate and proportionate credit checks. And at the time of the lending and credit limit increases, Mr C didn't have any defaults or County Court Judgements (CCJ's) on the credit file searched by Vanquis. The investigator thought the original credit limit relatively modest and Vanquis couldn't have known that Mr C would have lost his job in June 2012 or ought to have asked him about his mental health.

Mr C doesn't accept that view.

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 I don't uphold this complaint. I appreciate Mr C will be disappointed by my decision.

Lenders should carry out reasonable and proportionate checks on the affordability of any form of lending. Those checks will of course vary depending on the amount or type of any borrowing or credit. There is no dispute here that Mr C was provided with a credit facility rather than for example a loan.

I have looked at Mr C's credit card application and can see that he declared an income of £78,000. I appreciate Mr C says that figure was inflated, and that Vanquis ought to have checked it. But I think that Mr C was required to provide accurate information and confirmed that he had done so by signing the application. I don't think Mr C has told us or Vanquis what his actual household income was or by how much it was inflated.

I have looked carefully at Vanquis's records and I'm satisfied it carried out appropriate and proportionate checks on the initial application and the two credit limit increases. I can see that Vanquis considered Mr C's debt on opening the account and the two reviews which led to the credit limit increases. And I'm satisfied that on the credit file Vanquis used, Mr C didn't have any reported defaults or CCJ's. So, I don't think the decision to allow Mr C to open the account was irresponsible or that it was unaffordable, and I think a relatively modest credit limit of £500 was approved.

I'm satisfied that Vanquis fairly and appropriately assessed the two credit limit increases. And I have seen evidence from its records that Mr C's debt had reduced by the time of the first increase and reduced significantly by the time of the second. I also think that Mr C had managed his account appropriately by making on the whole the required payments. I accept there were some late payments, but I don't think they had any significant impact and were not repeated over a period of time. So, I don't think the credit limit increases were unaffordable or the decision to approve them was irresponsible.

I appreciate Mr C says he had defaults recorded against him and I can see that he has provided letters from different credit providers which confirm he had other debts. But due to understandable reasons, Mr C is unable to provide his credit report from 2011. And I can't be sure what was recorded on his credit file at that time. I can see that Vanquis didn't have information about such defaults on the credit file it searched. And so, I can't fairly hold Vanquis responsible for that and I have made clear that I'm satisfied it carried out appropriate and proportionate checks.

I have looked at Mr C's credit card statements from when the account was opened in 2011. I think they show the account was relatively well managed after it was opened and after the credit limit increases. I find that provides additional evidence that Vanquis didn't make a mistake here and I can't fairly hold it responsible for Mr C losing his job and the change in his circumstances.

I appreciate Mr C questions why Vanquis didn't ask him about his mental health problems. But I don't think Vanquis could have known about that unless Mr C told it about any such issues, and I don't think it is under any requirement to ask its potential customers about such matters.

Overall, I'm satisfied that Vanquis carried out all reasonable and proportionate checks here and so I can't fairly order it to refund any interest or charges.

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 C to accept or reject my decision before 3 April 2021.

David Singh
Ombudsman