

## **The complaint**

Mr D complains that Vanquis Bank Ltd acted irresponsibly by raising the limit on his credit card twice during a period when his debts were increasing.

## **What happened**

Mr D applied for a credit card from Vanquis in September 2017 – they gave him an initial credit limit of £500. In May 2018 Vanquis notified him that his credit limit would be increased to £1,250. Mr D says that this limit became unaffordable and that he was regularly only able to pay the minimum payment. He says he had to use other credit cards, payday loans and guarantor loans to cover the costs.

In September 2018 Vanquis notified him that his credit limit would be increased to £2,250. Mr D says he was unable to repay this amount of credit – and that he incurred numerous late payments and over limit fees as a result. Mr D says the fact that he was close to his credit limit when these increases were applied showed that he was struggling to reduce his debt.

In February 2020 Mr D notified Vanquis that he was in financial difficulty and agreed a fixed payment arrangement. He complained that they'd acted irresponsibly by increasing his credit limit – but Vanquis said they'd done nothing wrong.

Our investigator didn't think Vanquis had acted irresponsibly by giving Mr D a credit card or increasing his credit limit. He felt they'd carried out reasonable and proportionate checks before each lending decision – and that those checks didn't show anything that suggested Mr D couldn't afford the repayments. Mr D asked for his case to be reviewed by an ombudsman.

## **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.

The Financial Conduct Authority (FCA) sets out rules and guidance for lenders to follow – these can be found in their Consumer Credit Sourcebook (CONC). I've reviewed what this required Vanquis to do at the time of Mr D's credit card application and the two increases to his credit limit.

Before giving Mr D a credit card, Vanquis were required to carry out a creditworthiness assessment. This meant making reasonable and proportionate checks to satisfy themselves that he'd be able to make repayments in a sustainable way. These checks weren't just about how likely it was that they'd get their money back – they had to focus on whether the repayments would adversely affect Mr D's financial situation.

There was no set list of checks that Vanquis had to complete, but they had to make sure the checks they completed were proportionate in the circumstances. There were a number of factors that might affect how extensive these checks needed to be, such as the type and

amount of credit, the customer's financial position, their credit history and other financial commitments.

Vanquis have provided evidence showing they asked questions about Mr D's income during the application, as well as obtaining information from a credit reference agency. In his application, he declared that he was in full-time employment with an annual income of £20,400, that he was living with his parents, and that the annual household income was £50,000. Credit reference agency data showed Mr D had nine active accounts with other financial businesses. It showed he had a total outstanding balance of £18,900, with no defaults or county court judgments (CCJs).

I'm satisfied that these were reasonable and proportionate checks in the circumstances. And I've seen nothing in the information revealed by these checks that should've given Vanquis cause for concern that approving £500 credit would adversely affect Mr D's financial situation. Although his existing commitments were relatively large in comparison to his salary, there was no evidence that Mr D was having difficulty meeting those repayments. As he was living with his parents, I'd consider it reasonable for Vanquis to assume his monthly living costs to be low. For these reasons I don't find them to have acted irresponsibly or unfairly by approving his credit card application.

CONC required Vanquis to carry out creditworthiness checks each time they considered increasing Mr D's credit limit. They've provided evidence showing they reviewed how he'd been managing his account, as well as looking at credit reference agency information. This is in line with best practice guidelines issued by the credit card industry on increasing credit limits responsibly, which say creditworthiness checks should include information from credit reference agencies and at least one other source. I've looked carefully at what these checks revealed.

The evidence shows Vanquis first considered increasing Mr D's credit limit in January 2018 – but they didn't go ahead with this because he went over his limit. In April 2018 they reviewed things again. The evidence shows no more over-limit or late payment charges had been applied to the account. On average over the preceding three months, Mr D had used 95% of his credit limit and was managing to make more than the minimum payment each month. Credit reference agency data showed the amount he owed to other financial businesses had crept up to £22,370, but there were no defaults or CCJs recorded against him. And the credit reference agency data showed no short-term loans having been taken out in the previous three months.

In September 2018, Vanquis again reviewed Mr D's account. The evidence shows that, with the exception of one over-limit charge in July, he'd continued to make payments in accordance with the account terms. Over the preceding three months, on average, Mr D had used 96% of his credit limit and was still managing to pay more than the minimum payment each month. The credit reference agency data showed that the amount he owed to other financial businesses had dropped slightly to £19,558, and no defaults or CCJs had been recorded against him. Again, the credit reference agency data gave no indication of short-term loans having been taken out in the previous three months.

Having carefully considered the information Vanquis already held about Mr D, the extra checks they carried out and the information this gave them about Mr D's financial situation, I can't say they acted irresponsibly by increasing his credit limit to £1,250 and then £2,250. I've seen evidence that Vanquis gave him at least one month's notice of the proposed changes, so Mr D had the option not to go ahead with these increases if he had concerns about his ability to repay more credit. So, although I appreciate Mr D will be disappointed with this decision, I can't say that Vanquis have treated him unfairly.

**My final decision**

For the reasons I've explained here, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 June 2021.

Corinne Brown  
**Ombudsman**