

The complaint

Miss L is unhappy that Vanquis Bank Limited offered to increase her credit limit on two occasions as she believes these credit limit increases were unaffordable for her at those times.

What happened

Miss L applied for a credit card account with Vanquis in 2017. The application was approved, and Vanquis issued a credit card to Miss L with an initial credit limit of £500.

In March 2018 Vanquis reviewed Miss L's account and offered to increase her credit limit to £1,000. In May 2019 Vanquis conducted a further review of Miss L's account and offered to increase her credit limit again, this time to £1,750.

In April 2020 Miss L raised a complaint with Vanquis. Miss L felt that the increases to her credit limit that Vanquis had offered hadn't been affordable for her, and that this should have been clear to Vanquis, had they undertaken appropriate checks into her financial circumstances at those times.

Vanquis looked at Miss L's complaint. But they felt that they had undertaken reasonable and proportionate checks into Miss L's financial circumstances and that those checks hadn't suggested that the increases wouldn't be affordable for Miss L. So, they didn't uphold Miss L's complaint.

Miss L wasn't satisfied with Vanquis' response, so she referred her complaint to this service. One of our investigators looked at Miss L's complaint. But they also felt that Vanquis had conducted reasonable checks, and that these checks didn't highlight anything that should have caused Vanquis to not make the credit limit increase offers that they did. So, our investigator also didn't uphold Miss L's complaint.

Miss L remained dissatisfied, so the matter 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 clear that Miss L feels strongly about this complaint, and I've taken onboard the comments that she's made and the information that she's provided, including that she was making use of short-term 'payday' loans around the time that one of the credit limit increases was offered to her.

It's for a lender to decide whether it will offer credit to a customer, and if so, on what terms. What this service would expect is that the lender undertakes reasonable and proportionate checks before offering credit to a new customer or offering to increase the credit limit available to an existing customer.

In this instance, in their assessments of Miss L's financial circumstances before offering the credit limit increases, Vanquis conducted reviews of how Miss L had been managing her account with them, and they also checked Miss L's credit file to better understand her wider financial circumstances at those times.

Miss L has questioned why Vanquis didn't ask to review her bank statements, which would have provided a more in-depth understanding of her financial position, and which Miss L's believes would have better demonstrated that she was struggling financially at those times.

I can understand why Miss L would question this point. But the requirement is that Vanquis conduct reasonable and proportionate checks, in consideration of the circumstances of the credit being offered. And I'm not convinced that Vanquis asking for copies of Miss L's bank statements would have been proportionate here – with the requirement being that higher amounts of credit being offered should be subject to more in-depth levels of checks.

The checking of a customers' bank statements would be something this service would only usually expect for offers of credit significantly larger than those being offered by Vanquis to Miss L at these times. So, I don't feel that I can fairly censure Vanquis for not undertaking more detailed checks here, and I'm satisfied that the level of checks undertaken by Vanquis were reasonable and proportionate for the amounts of credit being offered.

I'm also satisfied that the information that Vanquis gathered from those checks didn't include anything that should have suggested to Vanquis that the credit limit increases they subsequently offered to Miss L would have been unaffordable for her.

That isn't to say that Miss L wasn't struggling financially, but rather that there was nothing in the information from the checks that Vanquis undertook which should have caused Vanquis to conclude that Miss L was struggling financially. And I say this because Miss L was managing her account with Vanquis, as well as other accounts visible to Vanquis on her credit file, without missing payments or going into arrears.

I understand that this will be frustrating for Miss L, but this service is only able to hold a business accountable for acting on the information that they had available to them. And, based on my own assessment of the information that Vanquis would have assessed here, I don't feel that this information suggested that Miss L was in a financial position such that it was unreasonable for Vanquis to make the credit limit increase offers that they did.

Miss L has pointed out that she had taken several short-term loans in the period leading up to the second credit limit increase. I appreciate that Miss L believes that her taking these loans indicated that she was struggling financially. But while the usage of short-term loans can be indicators of financial difficulty when considered in context with the wider circumstances of a person's financial position, it isn't the case that the act of using a short-term loan is of itself considered as being a definite indicator of financial distress.

I say this because a person is entitled to manage their credit as they see fit – including the use of short-term loans – and it must be noted that it appears that Miss L was able to meet the repayment commitments of these short-term loans so that they weren't reported as being repaid late.

So, it's difficult for me to conclude that Vanquis have acted unfairly or unreasonably here in offering Miss L the credit limit increases that they did. And it follows from this that I won't be upholding this complaint or asking Vanquis to take any further action at this time.

I realise that this won't be the outcome that Miss L was wanting, but I hope that she can understand, based on everything I have explained above, why I have made the decision that I have.

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 Miss L to accept or reject my decision before 2 April 2021.

Paul Cooper
Ombudsman