

The complaint

Mr A complains that Vanquis Bank Limited (Vanquis) lent to him irresponsibly.

What happened

Mr A applied for a credit card from Vanquis in January 2016. This was agreed with a limit of £250. There were subsequent increases as shown:

Date	Old Limit	New Limit
January 2016	New card	£250
May 2016	£250	£500
November 2016	£500	£1250
April 2020	£1250	£2250

Mr A complained that Vanquis didn't lend to him responsibly. Vanquis increased his limits and he couldn't manage the higher amount of debt. He said he was always close to the limit. He'd used cash withdrawals. He had other debts on other cards.

Vanquis disagreed. They said he'd passed their credit checks for the new card and subsequent increases in limits. When the card was first approved, Mr A said his income was £24,000 per annum. He had no County Court Judgements (CCJs) but did have a defaulted account 11 months before. Other debts were £300. When the limits were then increased, there were no CCJs or newly defaulted accounts. Other debts had increased to £4,128 in May 2016, but then decreased to £3,172 in April 2020.

Mr A brought his complaint to us. Our investigator said that Vanquis had acted done the necessary and proportionate checks at each stage. Initially, he considered that the final increase to £2,250 in April 2020 was irresponsible, but after further consideration and feedback from Vanquis, he decided that this was also OK.

Mr A asked that his complaint be looked at 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.

All lenders have an obligation to lend money responsibly. We have to check whether Vanquis acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?

When Mr A applied for the card in January 2016, he said his income was £24,000 per annum. And – there were no signs of difficulties with other debts. There were no CCJs. There was a defaulted account – 11 months before – so I agree that it was fine to give Mr A a card with its low credit limit of £250.

For the increase in limit to £500 in May 2016, other (non-mortgage) debt had gone down to £286. Borrowing against Mr A's limit was only 74% and he'd met the monthly payments.

For the increase to £1,250 in November 2016, other (non-mortgage) debt had gone up to £1,953. But Mr A's use of the limit was still modest – 61% over the previous three months. And he'd made the payments each month.

So – the issue of the card and first two increases in limit were OK.

The last increase to £2,250 – is a more finely balanced judgement. I say that because Mr A's external debts had increased to £4,295, and he'd used 95% of the limit in the previous three months. He was making monthly payments OK, but the amount of them had reduced to only 1.5 times the minimum amount needed – they'd been a lot more previously. So – there were some signs that he was starting to struggle. So – I've considered this increase closely.

I've looked at Mr A's statements. And throughout 2018 and 2019, he was consistently borrowing up to the limit each month, and in several months he went over them. And – he'd made several cash withdrawals (about one every two months) – typically, a sign of difficulties. But equally, in the six months before April 2020, Mr A's debt was consistently below the previous limit of £1,250. And he made more than the minimum payments each month – and hadn't missed any.

There were some defaults showing on other debts – but the most recent one was 20 months before. Mr A showed us his credit file. He had three other cards with limits totalling £6,050. This was quite a lot – but he was paying them successfully, with no missed payments showing. Mr A completed an income and expenditure analysis for Vanquis in March 2020 – before the increase. And this showed net monthly income of £2,100 and housing /living costs were £700. So – that looked OK also. Mr A told us he lost his job in January 2020. But he also told us he didn't tell Vanquis about that at the time. So – we can't expect them to have taken that into account.

So - on balance, I think Vanquis did complete reasonable and proportionate checks and reached a fair decision - in giving Mr A the last increase in limit to £2,250.

And so – and I can appreciate that Mr A will find this disappointing – I won't be asking Vanquis to do anymore here.

(continued)

My final decision

I do not uphold this complaint.

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

Martin Lord
Ombudsman