

The complaint

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

What happened

Mr H says he opened the Vanquis account in 2019. He says at the time he had a poor credit rating and was in financial difficulties. Mr H says Vanquis didn't carry out appropriate checks on his application as they would have shown he was in financial difficulties. He says Vanquis later increased his credit limit which was again unaffordable. Mr H would like interest and charges refunded.

Vanquis says it carried out appropriate checks on the application and the later credit limit increase. It says Mr H told it he was in full time employment earning £31,000 a year and living with his parents paying £400 rent. It also says it carried out checks on Mr H's credit file and didn't think there were any recent defaults or evidence of unaffordability. Vanquis says it checked Mr H's income and considered Mr H's good management of his account before allowing the credit limit increase.

Mr H brought his complaint to us and our investigator didn't uphold it. The investigator thought Vanquis had carried out appropriate checks on the application and later credit limit increase. The investigator thought Vanquis was entitled to consider how Mr H managed his account and that he made all required payments and on occasions greater than the required minimum.

Mr H doesn't accept that view and says his rent increased to £1,000 a month which he pays to his father in cash and says he has health problems which mean he can't control his spending.

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 H will be disappointed by my decision.

Lenders and credit providers should carry out reasonable and proportionate checks on a credit or lending application. Those checks will of course vary depending on the type and amount of the lending. This was an application for a credit facility rather than for example a loan or mortgage and so I would not have expected Vanquis to have carried out the same level of checks here compared to for example a mortgage.

I have looked carefully at Mr H's application and at Vanquis's records. And I'm satisfied Mr H said he had an income of over £30,000 which Vanquis checked. I'm also satisfied that Vanquis checked Mr H's credit file and considered his debts. And carried out affordability checks which concluded Mr H had a significant amount of disposable income per month.

So, I'm satisfied Vanquis carried out reasonable and proportionate checks on Mr H's application and that the decision to lend was affordable and so not irresponsible. I can see Mr H was given what I think was a relatively modest credit limit of £1,000. I don't think Vanquis made a mistake in approving the application.

I'm satisfied that Vanquis carried out further checks on Mr H's financial position before approving the increase to the credit limit. I can see that it fairly assessed the position and correctly considered that although Mr H's overall debt had increased, so had his income position. And I'm satisfied that Vanquis was entitled at that stage to consider how Mr H had managed his account. I can see that the account was well managed and that required payments were made and on occasions in excess of the required payment. So, I don't think the credit limit increase was unaffordable and I find appropriate checks were carried out. It follows that I don't think Vanquis acted unfairly by approving the increase.

I appreciate Mr H says he has health problems which mean he can't control his spending. But I can't see any evidence that he told Vanquis about that problem and I think it is that issue that has led to the financial difficulties rather than Mr H being unable to afford his living expenses from his income. I also would have expected Mr H to have been able to have provided evidence from his father of his mortgage payment and or evidence of Mr H's £1,000 contribution to it. I have not seen evidence that Mr H told Vanquis about that increase to his rent and so I can't fairly have expected Vanquis to have considered it.

Overall, I'm satisfied Vanquis carried out reasonable and proportionate checks on the application and fairly considered Mr H's credit file. I also find it carried out the same level of checks on the later credit limit increase. If Mr H is struggling to make repayments to Vanquis, then no doubt he will contact it, as it ought then to deal positively and sympathetically with him.

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 H to accept or reject my decision before 17 July 2021.

David Singh
Ombudsman