

The complaint

Mr H complains that Vanquis Bank Limited increased his credit limit without making the relevant checks that they should have completed.

What happened

Vanquis offered to increase Mr H's credit limit from £1,500 to £2,500 in November 2019. They asked Mr H his income and expenditure prior to increasing the credit limit. Mr H told them he was employed, living with his parents and his living costs were £400 a month. Vanquis approved the increase to his credit limit in December 2019.

Mr H complained to Vanquis in September 2020. He said that they were irresponsible to increase his credit limit as he was unemployed at the time of the credit limit increase which meant he was unable to afford the payments to the card.

Vanquis did not uphold Mr H's complaint. They said that relevant checks were completed to ensure that a responsible lending decision was being made. Vanquis added that Mr H had no CCJ's or previous defaults. They also said that his external debt was £3,830 at the time they offered to increase his credit limit and that Mr H had been up to date on all of his payments for the previous seven months. Finally, Vanquis said that he was able to reject the credit increase offer, particularly if he was in possession of information unknown to them at the time of the increase. Vanquis said that they had carried out appropriate checks which were proportionate to the increase in his credit limit.

Mr H brought his complaint to our service. Our investigator did not uphold Mr H's complaint. He highlighted the existing external debt that Mr H had at the time of the credit limit increase based on information from Mr H which totalled to £3,300 and the monthly repayments were £230 a month. Our investigator said this was consistent with the checks that Vanquis had completed, with the information also given to them by Mr H and that Vanquis undertook affordability checks that were proportionate to the credit limit increase. Mr H asked for an Ombudsman to review his complaint.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before offering and agreeing to increase Mr H's credit limit, Vanquis needed to make proportionate checks to determine whether the credit increase was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well the consumer's personal circumstances.

So I've thought about what checks Vanquis have said they've done. They considered what external debt Mr H already had. While they didn't look at each debt individually, they looked

at the total of the outstanding debt he had elsewhere. But they didn't ask how much Mr H was spending on servicing this debt each month. They looked at his credit history and had noted he hadn't missed a payment in seven months prior to the credit limit increase being offered. Vanquis will've seen that Mr H was often making payments higher than his minimum payment, so they may have been persuaded that Mr H could afford an increase in his credit limit. They also asked Mr H to complete an income and expenditure form. They used all of this information to decide that they were able to increase Mr H's credit limit, but I'm not persuaded that they did everything they could've done here and I'll explain why.

I've thought about what Mr H has said about being unemployed at the time Vanquis offered the credit limit increase. I asked him why he told Vanquis he was employed when he was unemployed. Mr H said that he thinks he told Vanquis this as he was afraid that Vanquis would suspend or close his account.

Although Vanquis asked Mr H to complete his income and expenditure, I've considered – what the rules and guidance for lenders, set out in the Consumer Credit Sourcebook ("CONC") within the Financial Conduct Authority's handbook says under CONC. 5.2.A.16 (3) - "it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence".

As Vanquis didn't check how much Mr H was paying on a monthly basis for his external debt and this wasn't showing on the expenditure he submitted to Vanquis, I think it would've been reasonable for them to verify this. I say this as the offer for the credit limit increase would increase his credit limit by over 50% which is a fairly substantial increase. So I've considered what would have likely happened if Vanquis would have verified his income and expenditure to see how much he was spending servicing his external debt. This would help them assess if the increase to his credit limit would be affordable and sustainable.

Vanquis weren't aware that Mr H was unemployed as he didn't inform them of this as he said he was employed. So I don't think it's reasonable for Vanquis to have known this at the time of the credit limit increase. I looked at Mr H's bank statements he provided and his last income from his employment was paid into his bank account on 21 November 2019. So, as Vanquis offered the credit limit increase on 25 November 2019 and Mr H submitted his income and expenditure details to them on 30 November 2019 then I'm satisfied that Mr H's statements would've shown Vanquis a weekly income from his employer and Vanquis still wouldn't have been aware that Mr H was unemployed even if they did ask for his bank statements.

Looking at Mr H's personal circumstances at the time of the credit limit increase, he lived at home with his parents and reported his living costs as £400. The external debt he was paying each month (based on what he told our investigator) was £230. So, as he told Vanquis he was earning £1,100 and his bank account statements would've broadly confirmed this was his income over the last couple of months. Mr H's bank statements show a high level of discretionary outgoings, which aren't fixed. So if Vanquis had asked further questions or sought further information from Mr H, without him telling them he was unemployed, which he didn't at any point of the credit limit increase, I'm satisfied they would have still reached the same outcome and increased Mr H's credit limit for the reasons I've already given. So while I'm persuaded the checks Vanquis made were not proportionate, I'm not persuaded that the decision to lend to Mr H was unfair and so it follows that I'll not be asking Vanquis to do anything further."

I invited both parties to let me have any further submissions before I reached a final decision. Mr H said he had nothing to add but his disappointment. Vanquis did not respond to my provisional 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.

As neither party added any further information for me to consider my final decision and reasoning remains the same as in my provisional decision. I know Mr H will be disappointed with the decision, but I hope he understands my reasons.

My final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 August 2021.

Gregory Sloanes
Ombudsman