

## The complaint

Mr H complains that Vanquis Bank Limited (“Vanquis”) lent to him irresponsibly and didn’t carry out sufficient checks when they increased his credit limit on his credit card account.

## What happened

Mr H was accepted for a credit card by Vanquis in August 2013 with an initial limit of £250. The following credit limit increases were then applied:

March 2014	August 2014	January 2015
£500	£1,500	£2,250

Mr H then experienced difficulties in making repayments in 2015 and Vanquis sent a Notice of Default. Mr H’s account was then passed to a debt collection agency and then the debt was sold in 2016. Mr H complained to Vanquis in January 2021 as he felt they didn’t carry out proper checks. Vanquis responded and explained Mr H’s complaints about the credit limit increases were out of time. Our service decided the complaint was in jurisdiction and our investigator then looked into the complaint.

Vanquis said they were able to offer credit limit increases as, by the time the last offer was made, all payments had been received in full and on time. Vanquis said the account had been managed well and they never noted a heavy reliance on the facility granted. And, externally, their credit search showed there were only two occasions when an external debt repayment was missed until October 2015. They said the outstanding balance was brought to zero in January 2015 after the final increase had been processed. Vanquis said, up to this point there had been no indication of financial difficulty, either from the management of the card account or from external credit data and they remained satisfied their checks were adequate and proportionate to the credit being offered.

Our investigator looked into things for Mr H. She thought Vanquis had made a fair lending decision in relation to the increased credit limits. Mr H disagreed so the matter has come to me for a 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.

Having done so, I’ve decided not to uphold the complaint. I understand Mr H will be disappointed by this but I’ll explain why I have made this decision.

We’ve set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Vanquis needed to take reasonable steps to ensure that they didn’t lend irresponsibly. In practice this means that they should’ve carried out proportionate checks to make sure that Mr H could repay the credit in a sustainable manner. These checks could take into account a

number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

The first point I've addressed is whether I think Vanquis carried out reasonable and proportionate checks. Section 5 of the Consumer Credit (CONC) sourcebook, in place at the time, outline that the assessment that Vanquis needed to complete should've been dependent on, and proportionate to, a number of factors – including the amount and cost of the credit and the consumer's borrowing history. CONC also provides guidance on the sources of information Vanquis may have wanted to consider as part of making a proportionate assessment. It then gives examples of factors a firm must consider and refers to whether the information the firm has is sufficient and whether to obtain additional information from the customer and any other sources of information to use.

Vanquis is free to decide how to set their lending criteria but they should complete proportionate checks to ensure borrowing is sustainable. In this case, I can see that Vanquis, when offering the credit limit increases between February to December 2014, consider information from Credit Reference Agencies which includes Mr H's external debt and months since last default. They also take into account information on how Mr H is performing against his credit card account.

I think the checks carried out by Vanquis are reasonable and proportionate as they take into account a number of factors. And, the checks carried out are the type I would reasonably expect because they would help Vanquis to not only build a picture of Mr H's financial situation, but also to assist in determining whether he could repay the credit in a sustainable way.

The next point I've considered is whether Vanquis made a fair lending decision bearing in mind the information gathered and what they knew about Mr H's circumstances. To help decide this, I've looked at how Mr H was performing against this account over the period the credit limit increases are applied. In the 15-month period between the account opening and the final credit limit increase, Mr H pays more than the minimum payment on each month. I can see regular payments are made with no late fees being charged in this period. The monthly payments being made are also generally higher than the interest payment for that month. This shows that the payments are going towards the capital and not just the monthly interest which has accrued. And, on a number of occasions, the payments made are significantly higher than the minimum payment required. For example, in November 2013, the minimum payment due is £17.12 and Mr H makes a payment of £243.10. In May 2014, the minimum payment due is £24.31 and Mr H makes a payment of £316.49. And, in October 2014, the minimum payment due is £37.64 and Mr H makes a payment of £367.39.

I've looked further into each increase starting from the account opening to see how Mr H was managing his account. While Mr H's credit limit is £250, his statements show he was managing his account at around 58% of his credit limit. While Mr H's credit limit was £500, his statements show he was managing his account at around 72% of his credit limit. And, while Mr H's credit limit is £1,500, his statements show he was managing his account at around 45% of his credit limit. This shows Mr H was managing his account well below the credit limit in place.

I've also looked at other factors which Vanquis took into account at the point the credit increases were applied. I can't see any information here which I believe should've led Vanquis to identify that Mr H wouldn't be able to make repayments without undue difficulty and wouldn't be able to meet other commitments without having to borrow further. While there are two occasions where Mr H appears to have missed a repayment on an external account, I can't see there is a pattern here of missed payments or defaults. Evidence of numerous arrears can point towards financial difficulty. This might also

demonstrate that a consumer won't be able to repay any further borrowing in a sustainable manner. So, it's important to take these factors into account when deciding whether a consumer can sustainably repay any credit. But, I can't see any evidence of numerous arrears or defaults leading up to the credit limit increases. I think Vanquis have acted reasonably in taking this information into consideration and have acted fairly in deciding to increase the credit limits.

Mr H says there were a lot of cash gambling transactions in quick succession so Vanquis lent to him irresponsibly. Mr H's statements do show payments being made to a gambling company around the time he received the credit limit increases although I can't see any information which shows that Mr H made Vanquis aware of any gambling problems. I also haven't seen any evidence which shows that Vanquis did check Mr H's statements so they would've been unaware what the credit card was being used for.

It's clear Mr H does experience difficulties later in making repayments but I can't see this was down to lending decisions taken by Vanquis. I've listened to calls between Mr H and Vanquis in April 2015 during which Mr H explains he's now on long-term sick and won't be able to make the level of repayments he was previously making. Mr H also says he doesn't feel he would be in this situation if he was still working. I can see alternative arrangements are then discussed with Mr H. So, while I am sorry to learn about the difficulties experienced by Mr H, I think this was down to a change in his circumstances which led to a reduction in his income – and this isn't something which Vanquis was aware of when offering the credit limit increases.

In summary, I don't uphold Mr H's complaint in this matter as I feel Vanquis made a fair decision to lend in respect of the credit limit increases.

### **My final decision**

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 November 2021.

Paviter Dhaddy  
**Ombudsman**