

The complaint

Miss B complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card and later increased the credit limit.

What happened

In May 2018 Miss B applied for a credit card with Vanquis over the phone. During the application, Miss B said she was employed with an income of £12,000 and a total household income of £24,000. Vanquis completed a credit search and says it found around £3,900 of other unsecured debt. Vanquis says it found a defaulted debt that was over three years old at the point Miss B applied but didn't find any other adverse credit. The application was approved with a credit limit of £1,000.

In August 2018 Vanquis increased the credit limit to £1,500. Vanquis says Miss B's credit card had been managed efficiently and it didn't find an increase in her overall borrowing with other lenders or new adverse information on her credit file.

In March 2020 Vanquis increased the credit limit to £2,500. Vanquis has confirmed it had previously refunded a late payment fee but that Miss B's account had been maintained overall. In addition, Vanquis says Miss B's overall outstanding credit had reduced by around £500 and that there was no other new adverse information recorded on her credit file.

Miss B went on to complain that Vanquis had lent irresponsibly and has explained she's concerned that despite making payments for several years the balance remains. Vanquis didn't agree it had lent irresponsibly and didn't uphold Miss B's complaint.

Miss B referred her complaint to this service and it was passed to an investigator. They thought Vanquis had dealt with Miss B's complaint fairly and didn't ask it to do anything else. Miss B asked to appeal, so her complaint has been passed to me to make 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.

Before agreeing to lend, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Miss B could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.

When Miss B first applied, Vanquis took her personal and financial circumstances into account, in line with the information provided during the application. I can see Vanquis found default information on Miss B's credit file but it was over three years old. Vanquis has confirmed it accepts applications with some low level adverse credit and I'm satisfied it was aware of Miss B's default. Vanquis says it applied its lending criteria and approved the credit card. I note the credit limit was £1,000 and Miss B owed around £3,900 to other lenders.

I'm satisfied Vanquis did complete proportionate checks when it approved Miss B's credit card application and that its decision to do so was reasonable.

Vanquis increased the credit limit by £500 a few months after the application was approved. Vanquis says it carried out another credit check and found Miss B owed around the same amount as when she applied. Vanquis has confirmed it took Miss B's income and circumstances into account and approved the credit limit increase, taking it to £1,500. At this point, I think it was reasonable to rely on the information contained within the original application. In my view, Vanquis did complete proportionate checks before it increased Miss B's credit limit to £1,500. I'm satisfied Vanquis lent responsibly.

The final credit limit increase took place around 18 months later. Vanquis has provided evidence to show the information it found when it looked at Miss B's credit file. Overall, the outstanding unsecured credit reduced and there was no new adverse credit, including defaults. Vanquis also says Miss B had made her payments and administered the account in line with the terms, generally paying more than the minimum.

I note Vanquis also used income and expenditure figures to estimate Miss B's overall budget before it increased the credit limit. Based on the information I've seen I'm satisfied Vanquis completed proportionate checks before it increased Miss B's credit limit to £2,500 and its decision to do so was reasonable. I haven't found that Vanquis lent irresponsibly.

If Miss B is experiencing financial difficulties, she has the option of discussing her credit card with Vanquis to see whether it can provide assistance. Miss B can also contact third party organisations that provide advice to consumers. Full details of the organisations that may be able to help can be found on this service's website.

I'm sorry to disappoint Miss B but as I haven't found that Vanquis lent irresponsibly when it approved her credit card or increased the credit limit, I'm not upholding her complaint.

My final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 4 February 2022.

Marco Manente
Ombudsman