

## The complaint

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

## What happened

Mr W applied for a credit card from Vanquis in February 2015, and this was agreed with a limit of £1000. In April 2016, Vanquis offered to increase the limit to £1750, and this was also agreed.

Date	Limit
February 2015	£1000
April 2016	£1750

In August 2019, the debt was passed to a debt collection agency to collect payments. And it was then sold to another DCA in September 2020.

Mr W, represented by a claims management company, complains that Vanquis couldn't have completed the necessary checks. He couldn't afford to make the payments and was paying £700 on loans and credit cards. Vanquis should've completed an income and expenditure analysis, and if they had, they wouldn't have lent the money.

Vanquis said Mr W had passed their checks. At the time of his application, he said he was earning £28000 per annum, and had debts of £15100. But there were no county court judgements (CCJs) or defaults showing on his records. The initial limit was only a modest £1000. Vanquis offered an increase to £1750 in April 2016, and by then Mr W's debts had decreased to £7345. There weren't any defaults or CCJs. Monthly payments to the Vanquis card had been made and account conduct had been OK. So, they offered to increase the limit. Mr W could've opted out of the increase but didn't. Mr W should contact the DCA to agree a repayment programme.

Mr W brought his complaint to us. Our investigator said that on balance, Vanquis had acted responsibly. He could see that Vanquis might have looked at Mr W's bank statements. But – he couldn't look at them for the period just before the first issue of the card, as they weren't available. Looking at those for the period up to the time of the increase, they didn't show any signs of real financial problems, although there were payments to a payday lender showing. But – he concluded that Vanquis didn't act unfairly or unreasonably in offering the increased limit.

Mr W 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 must 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?
- And a reasonable and proportionate check would usually need to be *more* thorough:
  - the lower a customer's income, and the higher amount to be repaid.
  - the greater the number of loans and frequency of loans.
  - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so where the amounts involved are modest, then the checks can be less than if larger amounts of money are being lent. And – in this case, I consider the limits of £1000 and £1750 were modest.

Looking at the issue of the card in February 2015, Mr W told Vanquis that he earned £27000 a year, and I can see that he said household income was £51000 a year – so that was OK for a limit of £1000. Vanquis could see from their searches that he had debts of £15100 – this was quite a lot, but still only just over half of Mr W's income. And Vanquis could also see that he was making the necessary payment to other debts, and there weren't any default or CCJs. So – I think that the checks done by Vanquis were OK.

Looking at the increase to £1750 in April 2016. By this time, Vanquis could see that Mr W's debts had decreased to £7345 – so it looked like things were improving. There was one new loan taken out in the previous three months – but that doesn't mean there were problems. And – Mr W had maintained his account with Vanquis well. He had miss one payment and gone over the limit once since the card was issued. And - he told Vanquis that he missed the payment because he didn't get the statement for that month. He'd otherwise made all the payments due and had paid 120% of the minimum payments since the card was issued – so he was paying more than needed. On the other hand, I can see that Mr W had used that card five times to withdraw cash of £220 – so that might suggest there were some problems.

I've looked at Mr W's credit file. This shows there were four other lenders between 2015 to April 2016. They were all paid up to date. So, things did look OK to Vanquis. We can only expect them to make a decision based on the information they had at the time – and from what I've seen, Vanquis' decision to offer an increase in the limit was OK. And - they didn't need to ask Mr W more questions or see his bank statements, based on the information they had before them.

I can see that later on – things did get worse for Mr W. He used his new limit from Vanquis quickly and went over it by June 2016. And, by September 2016, his debts increased a lot - to £11063. And he missed a lot of payments to Vanquis and went over his new limit. But –

that was later, and I don't think Vanquis couldn't be expected to anticipate problems that Mr W had later.

So – and I accept that this will be disappointing for Mr W, I don't think that Vanquis acted unreasonably, and I won't be asking them to do anymore here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 September 2021.

Martin Lord  
**Ombudsman**