

The complaint

Ms P complains that Vanquis Bank Limited lent her money that she couldn't afford to pay back. She didn't think this lending was affordable for her. She said that she was in a spiral of debt, and using borrowing to pay back borrowing.

What happened

Ms P opened a credit card account with Vanquis in May 2015. She said that the limit she was offered she was unable to afford to maintain. Ms P said she kept up only minimum payments on the card for some time, but also missed some payments and was borrowing from other lenders to pay off multiple loans which led to an increasing cycle of debt.

Ms P said that if Vanquis carried out proper checks before increasing her credit limit it should have been able to see that she had a very poor credit rating and multiple loans running at the same time. Ms P said that she already had several pay day loans and was borrowing more and more to pay off these loans and credit.

Ms P said that she defaulted on the payments when it became unaffordable.

Ms P wanted a refund of interest and charges paid after increases were given on the credit limit plus 8% compensation for payments already made. She said she also wanted Vanquis to remove interest from outstanding payments on the current outstanding balance. She said any refund would go towards paying off existing loans which were taken out to cover this and other loans.

Vanquis said Ms P's card was opened on 19 May 2015. She said then that she was employed part-time with personal income of £26,000, and household income of £40,000. Vanquis said that when Ms P applied for this card, she had no county court judgments ("CCJs"). She had one previous default, seven months prior. Her other active lending was around £500. Vanquis didn't think it had done anything wrong by offering her a card account with a limit of £500.

Vanquis said it made a number of credit limit increases for Ms P. It wrote to offer her limit increases in September 2015, May 2016, February 2017 and July 2017. That resulted in credit limit increases to £1,000, £1,750, £2,500 and £3,500. Vanquis said that each time, it completed relevant checks to make sure that a responsible lending decision was being made.

Vanquis said that each time, it could see that Ms P had no outstanding CCJs or newly defaulted debt. Her other unsecured lending was shown to be £1,225 in September 2015, £2,366 in May 2016, £1,440 in February 2017 and £2,269 in July 2017. Vanquis didn't think that it had made a mistake by offering Ms P this lending, and it said that all her payments were made in full and on time except on one occasion. And her credit file showed that she was up to date with her other debt payments too.

Vanquis said that it understood that Ms P's personal and financial circumstances changed in July 2018 and again in January 2019, so she had a reduced income. And it said it could see

that Ms P's external debt started to rapidly increase from August 2018. Vanquis felt this was when things went wrong for Ms P, and her debts became unaffordable.

Vanquis said it agreed a repayment arrangement with Ms P in April 2019, but the arrangement wasn't maintained. The account was passed to a third party debt collection agency in July 2019, collecting on behalf of Vanquis. And the debt was then sold in September 2020.

Our investigator didn't think this complaint should be upheld. She said that it wasn't unreasonable for Vanquis to offer to lend Ms P £500 initially. And when it offered increases, it did further checks. Those showed no CCJs or fresh defaults. Our investigator said that she'd looked at Ms P's credit file, and details she'd provided of loans at the time, and she said that this supported the information recorded by Vanquis at the time of the increases. She said that Vanquis could offer increased lending, if it could evidence for example; good payment conduct by a consumer. And Ms P was making her payments. The increases seemed proportional within the overall household income Ms P had declared.

Our investigator said that Ms P had a repayment plan on her account, which give her some flexibility if she wasn't managing her repayments. But she didn't get in touch with Vanquis about any financial hardship until July 2018, after all the increases had been applied.

So our investigator said that Vanquis had no reasonable indication that Ms P might have been having trouble repaying her debt. Our investigator expressed her sympathies for the financial pressures Ms P had been under, but said that she couldn't say that Vanquis had lent to her irresponsibly.

Ms P didn't agree. She said she wasn't challenging the initial lending that Vanquis made, when she got the card with a £500 limit. She thought the later increases were unaffordable, in particular the last one, when she said that she was only managing her monthly payments by borrowing from payday lenders. She described difficult personal circumstances at the time, and said that whilst she wouldn't expect Vanquis to have known about this, there was some indication of what was going on financially, showing on her credit file.

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.

I've reached the same overall decision on this complaint as our investigator.

When Ms P applied for this card, she declared a personal income of £26,000 and a household income of £40,000. I think it's reasonable for Vanquis to assume that Ms P did have either some access to that additional income, or some support with her household expenditure coming from that money. So I don't think, as Ms P has suggested, that Vanquis had to disregard this additional amount when it made lending decisions.

I also note that it does appear, from Ms P's later discussions with Vanquis, that she did obtain some benefit from the additional household earnings at the time when her credit application was made, and when later increases were offered. In July 2018, Ms P told Vanquis that other residents of the household had moved out, so she no longer had support in paying her household bills.

I note that when Ms P applied for this card, Vanquis' searches showed that she had only £500 of lending elsewhere. So I think it was reasonable for Vanquis to open an account for her, with a limit of £500.

Ms P says that she doesn't really contest this. She says it's the later lending which she's concerned about, she thought the increases were unaffordable, in particular the last one, when she said she was only managing her repayments by borrowing from payday lenders.

Ms P has sent us a spreadsheet showing this lending. And I can see that it increased considerably from late 2017, which is after the last lending decision that Vanquis made. But her overall lending does appear to me to have been relatively steady between £1,500 and £2,500, at the time when Vanquis made its lending decisions to offer Ms P increases to her credit limit. I don't think that Vanquis should have assumed from this that no further lending would be affordable for Ms P. And it would also be consistent with managing the fluctuating income I can see on Ms P's statements from the time.

Although Ms P told us that she had missed payments to her card before Vanquis made these lending decisions, Vanquis said she had only missed one. Ms P's statements show that she missed her first card payment (which can happen when a new direct debit takes longer than anticipated to set up). So it seems that no other payments were missed during the time when Vanquis was considering increasing her credit limit.

Vanquis has also shown us evidence that Ms P's financial situation had changed by 2018. But it made no further offers of increased lending after July 2017.

I know that Vanquis didn't seek additional information from Ms P about her income and expenditure, in order to make its lending decisions when it offered Ms P the initial lending, and the subsequent increases on her card. But looking at the overall position of Ms P's credit file at the time, I cannot say that if Vanquis had sought this additional information, it would have refused to make additional lending to Ms P.

I know that Ms P will be disappointed, but I haven't been able to see that Vanquis knew, or should have known, that it would be irresponsible to offer either its initial or further lending. And that means that I don't think that this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 1 November 2021.

Esther Absalom-Gough

Ombudsman