

The complaint

Mr F complains that Vanquis Bank Limited lent irresponsibly when providing him with a credit limit increase on his credit card.

What happened

Mr F applied for a Vanquis credit card in 2012. The credit limit was increased on several occasions, with the final increase – from £1,500 to £2,500 – being applied in January 2016.

In 2021 Mr F complained to Vanquis that it had lent to him irresponsibly when he initially applied for the credit card and at each subsequent credit limit increase.

Vanquis responded to say it couldn't investigate most of the lending decisions due to the time that had passed since they'd been made. Regarding the decision to increase the credit limit in 2016, it did investigate and said relevant checks were completed to ensure it made a responsible lending decision. It said these checks showed no previously defaulted debt, no outstanding county court judgments (CCJs) and total outstanding external debt (excluding mortgage debt) of around £635. Vanquis said this all showed the additional lending was affordable for Mr F, in line with its lending policy at the time.

Unhappy with Vanquis's response, Mr F complained to us. Our investigator looked into the complaint and told Mr F they believed he'd complained about the lending decisions made prior to 2016 out of time as per the rules this service must follow. In relation to the decision in 2016 the investigator felt that Vanquis hadn't carried out proportionate checks as it should have. But they didn't think that made a difference as proportionate checks wouldn't have brought up anything of concern that might have led Vanquis to refuse the credit limit increase.

Mr F didn't accept the investigator's findings about the lending decision made in 2016, although he accepted that we couldn't assess his complaint about the previous decisions. He thought Vanquis should have seen in 2016 that his debt with it was increasing every time his credit limit went up because he was only able to make the minimum monthly payments. He explained his other credit details might not have indicated that he was in financial difficulty since his circumstances meant, for example, his bank wouldn't allow him to have an overdraft facility and other credit card providers wouldn't agree to increase his existing, low, credit limits.

As the investigator couldn't resolve the complaint informally, it was passed to me to review afresh.

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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Mr F's complaint.

I'm not going to address the lending decisions made prior to January 2016 in any detail here. The investigator's already explained to both parties why we're unable to consider them and I agree with their assessment of that issue.

Instead, I've focussed on the aspect of the complaint that I can consider, and which remains in dispute – that is, Vanquis's decision to increase the credit limit in 2016.

Having done so, I've decided not to uphold the complaint. I'll explain why.

There are several questions that I've thought about when deciding if Vanquis treated Mr F fairly and reasonably when it provided him with the credit. These include:

- 1) Did Vanquis complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay the credit advanced in a sustainable way?
- 2) If not, what would reasonable and proportionate checks have shown at the time?
- 3) Ultimately, did Vanquis make a fair lending decision?
- 4) Did Vanquis act unfairly or unreasonably in some other way?

I'll consider each of these in turn.

Did Vanquis complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay the credit advanced in a sustainable way?

The rules that Vanquis had to follow required it to carry out checks that would enable it to reasonably assess whether Mr F could afford to repay the credit being offered. This is often referred to as an '*affordability assessment*'.

The rules don't set out what specific checks Vanquis needed to carry out, but they did set out that those checks needed to be proportionate to the circumstances of the application. I think what this meant in practice was that the scope and extent of Vanquis's checks needed to reflect the nature of the lending, bearing in mind things such as the amount of credit, the interest rate, the monthly and total amounts repayable, and any indications of customer vulnerability.

The checks Vanquis needed to carry out as part of its affordability assessment had to be '*borrower focussed*'. What I mean by this is that the checks needed to consider whether paying the credit back would cause Mr F any difficulties or have any adverse consequences for him. They would also need to take account of factors such as the amount of money being lent, the monthly repayments, total charge for the credit and the interest rate being charged. This isn't an exhaustive list.

And as a result of the above, I think reasonable and proportionate checks needed to be more thorough if Mr F had a low income. This would reflect that it could be more difficult for him to meet the credit card repayments with a low income.

Vanquis would also need to be more thorough the higher the amounts he had to repay, as it would be more difficult to make higher repayments depending on his income.

With these principles in mind I've thought about whether Vanquis completed reasonable and proportionate checks to satisfy itself that Mr F would be able to repay his credit card in a sustainable way.

In summary then, the circumstances of the credit limit increase are as follows:

- Mr F initially applied for the credit card, which had an annual percentage rate (APR) of 49.9%, in 2012.
- Mr F was recorded by Vanquis at the time as being employed and as having a yearly income of £20,000.
- The initial credit limit of £250 was relatively low. But the limit was increased substantially over subsequent years and, finally, from £1,500 to £2,500 in 2016.

Prior to increasing the credit limit, Vanquis checked how Mr F had been managing his existing limit and checked his credit details. In terms of his existing limit, Vanquis suggests there was no significant cause for concern. Although I note that, while Mr F seemed to be managing the account to an extent, he was only making the minimum monthly repayments and his level of borrowing had increased along with each credit limit increase that Vanquis provided him with. Arguably I think this meant further borrower focussed checks were warranted, especially since the credit limit was due to go up again and by a significant amount. The indications from this were that Mr F might have had problems repaying the balance on his account with the existing credit limit. There was a risk that increasing the credit limit further might cause further problems for him.

I see that Vanquis instructed a credit agency to carry out searches in relation to Mr F's credit history in 2016 and that they revealed no short-term lending, outstanding CCJs or previously defaulted debt. According to the results, Mr F's total external lending, not taking into account mortgages, was £635 and 17 months had passed since he'd missed an external debt repayment. Vanquis said that this, together with the other information obtained, meant the additional credit had been offered in accordance with its lending policy.

As I've already alluded to, Vanquis's internal lending policy isn't a determining factor in this case. The question is more one of whether it acted in accordance with the lending rules and regulations of the time. Bearing in mind the above, and that Vanquis relied on Mr F's income as recorded in 2012 rather than obtaining updated information in 2016, I don't believe the checks Vanquis carried out prior to the credit limit increase showed he could sustainably afford to make the repayments. I don't think that the checks were, on balance, reasonable and proportionate.

What would reasonable and proportionate checks have shown at the time?

I can't fairly uphold the complaint purely on the basis that I believe Vanquis fell short in respect of the checks it needed to carry out. I must also go on to consider whether such checks ought to have made a difference to Vanquis's lending decision.

I think Vanquis should have ensured that the scope and extent of its checks were adapted to the circumstances of its offer to Mr F. A credit limit increase of £1,000 represented a relatively substantial extra financial burden in addition to his existing borrowing. Given this and the information Vanquis had about Mr F further checks would, in my opinion, have needed to verify his income and expenditure in 2016. These would have been in addition to the checks it carried out and establish that he was able to afford the increased credit limit.

One of the difficulties, given the length of time since the credit limit increase was offered, is understanding what reasonable and proportionate checks might have shown had Vanquis

carried them out. However, our investigator asked Mr F for a copy of his bank statements from the time and a copy of his full credit report. Having these, together with the other available information, certainly helps provide a picture of his financial situation at the time.

I've thought carefully about what Mr F's said about being in severe financial difficulty in January 2016 but the evidence I've seen doesn't support that. Mr F's bank statements leading up to that point indicate his account was in relatively good order at the time. Between September 2015 and January 2016, he was in regular receipt of payments which were commensurate with someone earning the income he'd previously declared to Vanquis. His account was in credit throughout that period and there's little sign that he was struggling to keep pace with his outgoings.

Mr F says he didn't have an overdraft facility because his bank wouldn't allow him to have one due to his financial situation. However, there's no indication from the statements that he needed an overdraft, let alone that he wouldn't have coped with one if an overdraft had been made available.

Regarding Mr F's credit report, I note several of his accounts have defaulted. Importantly though, the majority of these defaulted in late 2017 or early 2018 which was around two years *after* Vanquis's decision to increase the credit limit. So, this information wouldn't have been available to Vanquis in 2016 and so couldn't have been a factor in its decision.

While Mr F had an open credit card account and store card account running with other lenders at the time of the increase, the credit report doesn't show that he was in any difficulty with either in January 2016.

According to Mr F, his situation was such that other lenders were refusing to lend to him in 2016 and that Vanquis was almost alone in dealing with him. He says this indicates its lending decision was irresponsible. But, having reviewed his credit file, I can see that Vanquis wasn't alone in lending to Mr F in 2016, with several accounts being opened in the months that immediately followed Vanquis's decision.

Did Vanquis make a fair lending decision?

From the information obtained and provided by Vanquis, and sent to us by Mr F, there's little to suggest he was struggling financially when the credit limit was increased in 2016.

I can't see anything in the information Vanquis ought to have obtained that should have given it reason to believe the credit limit increase was unaffordable for Mr F, or that it was unlikely to be sustainably affordable for him.

I recognise how strongly Mr F feels that Vanquis has treated him unfairly. But, from what I've seen, I can't fairly say that it was irresponsible of Vanquis to offer him the credit limit increase in 2016.

Did Vanquis act unfairly or unreasonably towards Mr F in some other way?

I've carefully thought about everything provided. Having done so, I've not seen anything to suggest that Vanquis acted unfairly or unreasonably towards Mr F in some other way.

My final decision

For the reasons given, I've decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 January 2022.

Nimish Patel
Ombudsman