

The complaint

Miss H complains that Vanquis Bank Limited (Vanquis) lent to her irresponsibly.

What happened

Miss H applied for a credit card from Vanquis in September 2016, and this was approved with a limit of £250. Further increases were offered and applied by Vanquis as follows:

Date	Limit
September 2016	£250
March 2017	£500
August 2017	£1,250
March 2018	£2,250

Between January 2019 and September 2019, Vanquis offered further increases in limits to £3,000, subject to checks. But these weren't agreed. In April 2020, Miss H advised Vanquis she was in financial difficulty and a payment arrangement was agreed with payments of £80 per month. In October 2020, a reduced payment of £1 was agreed with zero interest.

Miss H complained. She said she was a part time student and a single parent. Her only income was benefits. She couldn't afford the repayments. She'd only made the minimum payments for a long period of time. The only way she could make the repayments was to borrow money from her parents and friends. She said Vanquis didn't do the proper checks when they agreed to the card or when they increased her limit. She said all the interest paid should be refunded, and the markers on her credit file removed.

Vanquis said Miss H had passed their checks when they issued the card. Miss H had told them she was a student with annual income of £10,800. Her credit file was clear of any defaults or CCJs. And her other debts were zero. When she was offered the increase, Miss H could've opted out but didn't. And each time – the external debts were close to zero. All payments to her Vanquis account had been made on time. So, they said they'd acted responsibly.

Miss H brought her complaint to us. Our investigator said Vanquis had acted fairly, based on everything he could see on Miss H's file with Vanquis. When she applied for the card, she said she had an income of £10,800 per annum. He said there weren't any defaults or CCJs on her records. After that, she made more than the minimum payments each month and didn't miss a payment, other than one. At the time of each increase, Miss H's other external debts were very low – between £24 and £101.

Miss H asked that an ombudsman look at her complaint.

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 the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

So, I've looked at Miss H's complaint in the light of this guidance. I think it's reasonable to say that the limits she was offered were low – so the checks Vanquis were required to do were less than for larger limits.

When Miss H applied for the card she said she had income of £10,800 a year. I think Vanquis had to accept that as she'd stated that to them. And I can see that she had no other debts at the time, nor any defaults with other lenders. So – all looked OK. So, I can see why Vanquis agreed to the card with a low limit of £250.

I can then see that at the time of each increase, Vanquis did more checks. They saw that Miss H had little debt with other lenders – ranging from only £24 to £101. There weren't any defaults. So – she didn't have any debt problems. And she had made all payments on the card on time – and usually paying much more than the minimum amount due. In the period up to March 2017, she paid four times the minimum needed. In the period up to August 2017, she paid seven times the minimum; and up to March 2018, she paid almost ten times the minimum amount needed. I can see that she went over her limit twice between when the account was opened and March 2018, but otherwise – the conduct of her Vanquis account was very good. And – lenders will look at how an account had been run to get a good idea of how a customer is managing their finances. So – I can see why Vanquis agreed to the increases in limits.

It's also fair to note that Miss H could've opted out of the offered increases but didn't.

Miss H says that she borrowed money from family and friends to make the payments. She showed us her bank statements which showed that. But – we wouldn't have expected Vanquis to ask more questions of her or asked to see her bank statements – given how she was running her Vanquis account.

I was sorry to learn that Miss H ran into difficulties later – and she is now on a payment programme with reduced payments of £1 a month. But equally, Vanquis are supporting her by agreeing to that and charging zero interest – which is what we would expect them to do.

I can appreciate that Miss H feels strongly that she had been unfairly treated. But based on what I have seen, Vanquis did all the necessary and proportionate checks and lent responsibly. So, I am not upholding this complaint, or asking Vanquis 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 Miss H to accept or reject my decision before 7 March 2022.

Martin Lord
Ombudsman