

## **The complaint**

Mr F complains that Vanquis Bank Limited have irresponsibly lent to him.

## **What happened**

Mr F was accepted for a Vanquis credit card in March 2015, with an initial credit limit of £250. The credit limit was later increased to;

- £1,000 in October 2017
- £2,000 in March 2018
- £3,000 in August 2018

Mr F contacted Vanquis in November 2018 and informed them that he had changed jobs and his salary had fallen from £25,000 to £20,500 and he was experiencing financial difficulty so a £25 a month payment arrangement was set up for three months. In February 2019, Vanquis were informed that Mr F had entered into a debt management plan with a debt management charity and Vanquis froze interest and charges on his account. Mr F raised a complaint with Vanquis and said the lending and multiple credit limit increases were irresponsible.

Vanquis did not uphold Mr F's complaint. They said that they made several checks based on his individual circumstances. Vanquis said that in March 2015, Mr F told their call handler that he was employed, earning £19,000 per annum. Vanquis said that every month, they carried out a risk assessment to see if he could maintain a credit limit increase.

Vanquis said their data showed that Mr F had not defaulted on an account since around October 2013, he hadn't missed any external debt repayments for 19 months in August 2018, his external debt had fallen from April 2015 to August 2018 and by August 2018 he had missed/paid late four times on his Vanquis card. Vanquis also said that prior to the credit limit increases, that Mr F had been making payments of over 300% of his contractual monthly payment and he had not utilised his full credit limit – his credit limit utilisation was 89% or under for all of the credit limit increases, therefore they were satisfied that the credit limits they approved were affordable to Mr F.

Mr F brought his complaint to our service. He also supplied a copy of his credit file to our investigator. Our investigator did not uphold Mr F's complaint. He said at the time the initial credit limit was granted, Mr F did have a default recorded, however, this was 18 months prior to being accepted for the card. Our investigator said that the initial credit limit of £250 was modest compared to Mr F's income and was affordable for Mr F.

Our investigator said that each time the credit limit was increased, Mr F had no new defaults registered, no short term loans and his external debt had only marginally increased. He said that Mr F was paying roughly three times the minimum payment and he hadn't been utilising the full credit limit available to him. He said that this showed that Mr F had been managing his borrowings well.

Our investigator said that it appears that Mr F's credit file shows that his financial difficulties

mainly occurred in 2019, but that didn't mean that Vanquis were wrong in increasing his credit limit. Mr F asked for an Ombudsman to review his complaint. He said in the years prior to the Vanquis card being approved his credit score and levels of borrowing haven't been great and that between June 2018 and January 2020 he had missed some sort of payment which affected his credit score due to the volume of debt incurred from not just Vanquis but other lenders.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"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 approve the credit limit for Mr F, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to; the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.*

#### *Initial credit limit*

*I've looked at what checks Vanquis said they did prior to accepting Mr F's application. They said at the time of applying for the credit card, they considered the information that Mr F had gave them, such as being employed, earnings of £19,000 and they looked at the information on his credit file. Vanquis said that Mr F's credit file showed he had external unsecured outstanding debt of £3,438.*

*But that's not all the credit file showed. It showed that Mr F had defaulted in the past. The most recent default was 18 months ago. So Vanquis would have been aware that Mr F had previously not maintained an agreement.*

*So I've considered if the checks that Vanquis carried out were proportionate to the level of credit that Mr F was given. Based on the data showing that Mr F had no accounts in arrears, his last default was 18 months prior and given the low initial credit limit in relation to his earnings, I'm persuaded that the checks Vanquis carried out here were proportionate. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. Here, Vanquis considered the information that Mr F had on his credit history and still made a decision to lend which, in the circumstances, I think was reasonable.*

#### *October 2017 credit limit increase - £250 to £1,000*

*I've looked at the information that Vanquis had available to them when they increased Mr F's credit limit. I can see that Mr F had either exceeded his credit limit or made a late payment on five different statements between his account being opened and the October 2017 credit limit increase. This may suggest that Mr F may not manage his credit limit effectively here. So I've looked at the data Vanquis had around the time to get a broader sense of how Mr F was managing his finances prior to his credit limit being increased.*

*The data shows that Mr F's external debt had fallen to £2,381, which was over £1,000 lower than when he was accepted for the Vanquis account. There were no external accounts he had here showing arrears, there are no new defaults or new adverse credit information showing against his credit file.*

*The last time he incurred a late payment charge on his Vanquis account was on his January 2017 statement as he missed his December 2016 payment. This was 8/9 months prior to the credit limit being increased. In the meantime, Mr F made payments which were 2-3 times the minimum monthly payment requested from Vanquis and utilised roughly 50% of the credit limit. So I am persuaded that despite the overlimit charges and late payment charges previously, that by the time Vanquis increased Mr F's credit limit to £1,000 in October 2017, he was in control of his finances and that the increased limit would be affordable and sustainable at this time, therefore I'm satisfied the checks that Vanquis made prior to increasing Mr F's credit limit here were proportionate.*

*March 2018 credit limit increase - £1,000 to £2,000*

*I've looked at the information that Vanquis had available to them when they increased Mr F's credit limit to £2,000. This time they doubled his credit limit. So I would need to see that the data Vanquis had available to them would support the increase. I'm persuaded that it did and I'll explain why.*

*Mr F's external debt around this time was £2,439, which was similar to the level the last time his credit limit was increased. None of his accounts were showing in arrears and by this time his default had been registered nearly four and a half years ago and Mr F had nearly fully repaid this debt.*

*His March 2018 statement shows he has approximately used 89% of his available credit, however, he is paying nearly three times his contractual minimum monthly payment which would suggest that Mr F had disposable income available to meet an increased credit limit. He had not had any late payment charges or exceeded his credit limit since the last credit increase, which further suggests that it was affordable for him. So again, I'm satisfied the checks that Vanquis made prior to increasing Mr F's credit limit here were proportionate.*

*August 2018 credit limit increase - £2,000 to £3,000*

*I've looked at the information that Vanquis had available to them when they increased Mr F's credit limit to £3,000. This time they increased his credit limit by 50% in a short period of time (five months) prior to the last increase. So I would need to see that the data Vanquis had available to them would support the increase in a short period of time. I'm persuaded that it did and I'll explain why.*

*The data shows that by August 2018, Mr F had satisfied his default which was registered in October 2013 so this may have increased the disposable income Mr F had to meet an increased credit limit. The data also shows that prior to this timeframe, Mr F had no accounts in arrears and was managing his finances. I say this as his Vanquis card shows that prior to the increase he has paid at least a 50% higher payment than his contractual minimum payment and he was utilising approximately 77% of his credit limit. This had reduced from the 89% from the last credit increase, which could indicate that Mr F didn't need to rely on all the available credit available to him. His external debt was at £2,888, which was relatively similar to what it had been throughout the life of the Vanquis account. So I'm persuaded that the checks that Vanquis made prior to increasing Mr F's credit limit here were proportionate.*

*I realise that Mr F says he was experiencing financial difficulties around the time of the credit limit being increased for the final time. But I'm not persuaded that Vanquis would have been able to foresee that Mr F's income would reduce by as much as it did or that Mr F would take on extra credit arrangements when he hadn't been utilising all of the credit available to him through Vanquis.*

*I say this as the data Vanquis had available to them showed Mr F's external debt was being*

*managed well and apart from initial problems where he exceeded his credit limit up until late 2016, he had always paid at least his contractual monthly payment on time and often paid substantially more than this amount, which could show that he would've been able to repay the debt in a timely manner if his personal circumstances hadn't changed. He didn't fully utilise the extra credit Vanquis gave him, even when higher credit limits were made available to him, which may suggest he wasn't reliant on borrowing to meet his day to day commitments.*

*And it was only in November 2018, three months after the credit limit was increased, that he told Vanquis that his salary was now £25,000. So the total of the increased Vanquis debt and the external debt would have been less than 25% of this figure. But I think based on the information Vanquis had at the time they increased the credit limit in August 2018, they considered things proportionately and made a fair decision to lend.*

*I'm sorry to hear of Mr F's financial difficulties, but in order to uphold this complaint I would need to see that Vanquis irresponsibly lent to Mr F. But based on the reasons I've already given, I'm persuaded that the checks Vanquis completed prior to granting more credit were proportionate. So it follows I don't intend to ask Vanquis to do anything further."*

I invited both parties to let me have any further submissions before I reached a final decision. Vanquis said they had no further comments to add to the provisional decision. Mr F did not respond to the provisional 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.

As neither party have provided me with any further information to consider, then my final decision and reasoning remains the same as in my provisional decision.

### **My final decision**

I do not 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 10 March 2022.

Gregory Sloanes  
**Ombudsman**