

The complaint

Ms G complains that Vanquis Bank Limited ("Vanquis") lent to her irresponsibly.

What happened

Ms G applied for a credit card with Vanquis in November 2016. She was accepted and given a credit limit of £250. Her credit limit was increased in January 2018 to £1,000.

Ms G says that Vanquis shouldn't have provided her with the credit. She says it didn't take account of her financial situation at the time and that it should have refused her credit. She says Vanquis didn't check properly that it was affordable for her and that she has struggled with debt as a result.

Our adjudicator didn't uphold Ms G's complaint. She didn't think Vanquis had done anything wrong in its lending decisions.

Ms G disagreed. She added that she was using her overdraft to make her repayments on other debt.

As Ms G did not agree the complaint has been passed to me to make a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Ms G's complaint.

Having done so, I've come to the same conclusion as our adjudicator. I don't think Vanquis acted unfairly and lent to Ms G irresponsibly. I'll explain why I've reached this conclusion.

Vanquis needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms G could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount, Ms G's borrowing history and her income and expenditure.

Vanquis has provided a list of the checks it completed when opening Ms G's account. It says these show that it was reasonable to lend to Ms G in the way that it did.

I can see from this list that Vanquis saw that Ms G had no County Court Judgements (CCJs) or recent defaults. It showed that she had about £2,100 in other unsecured lending at the time. Ms G also told Vanquis that she earned around £19,500, which was around £1,400 net a month.

Based on this a credit limit of £250 appeared affordable and Ms G didn't appear to be overindebted. Overall, I'm satisfied that the checks Vanquis completed were reasonable and proportionate in the circumstances and it didn't make an unfair lending decision.

In January 2018 Vanquis increased Ms G's credit limit to £1,000. Vanquis says it completed credit checks each month, including when it increased Ms G's limit. Ms G had managed her Vanquis account well and hadn't missed any repayments.

Given the proportionately large increase I think that Vanquis should have done more checks before providing that additional credit. I think it would have been reasonable and proportionate for Vanquis to have confirmed Ms G's committed expenditure in relation to essential expenditure such as housing costs, council tax and utilities.

I can't be sure what Vanquis would have seen if it had asked about this. However, Ms G provided bank statements from around the time of the increase. While Ms G was overdrawn in her bank account, once her essential expenditure was taken out she had about £835 in disposable income each month.

Ms G says that she was using her overdraft to pay off other credit, and I can see that there were payments to other creditors each month. Ms G's outstanding credit balance across all her lending had increased significantly to nearly £10,000, but if Vanquis had checked her income and expenditure along with the regular credit checks it did, I don't think it would have seen anything to make it think Ms G could not sustainably afford the repayments on the increased credit limit because she appeared to have sufficient disposable income to meet all her repayments.

I've looked at the way Ms G's account was managed later in the lending relationship. I can see that Ms G eventually defaulted on her credit card account in 2020 and entered into an individual voluntary arrangement in May 2021. I'm not persuaded that the way Ms G was managing her account or what Vanquis could see of her management of other credit ought to have prompted it to have acted differently than it did.

On balance, I don't think Ms G lost out as a result of anything Vanquish did wrong.

My final decision

I don't uphold Ms G's complaint so it follows that Vanquis Bank Limited doesn't need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 12 July 2022.

Sally Allbeury
Ombudsman