

The complaint

Miss J complains that Vanquis Bank Limited was irresponsible in its lending to her.

What happened

Miss J applied for a Vanquis credit card in September 2020. The application was accepted and a credit limit of £1,000 provided. In February 2021, the credit limit was increased to £1,500.

Miss J says that the lending was unaffordable and that adequate checks weren't carried out before the credit was provided. She says she was experiencing financial difficulties at the time of applying for the credit card and was having to increase her borrowing to pay for essential items.

Vanquis says that it carried out adequate and proportionate checks before providing the credit card and before increasing the credit limit. These checks included asking Miss J about her income and undertaking credit checks. It says based on these checks the lending was affordable.

Our adjudicator assessed the information provided by Miss J and Vanquis. He didn't think that the lending was irresponsible.

Miss J didn't agree with our adjudicator's view. She said Vanquis didn't carry out reasonable checks and didn't see the previous financial difficulties she had experienced. She said that she had taken out several payday loans and defaulted or deferred payment on these. She didn't agree that she had disposable monthly income of £430 and said she shouldn't have been provided with the credit as she was already struggling financially.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Miss J applied for a credit card. Before this was provided, Vanquis asked her about her income, carried out a credit check and provided an estimate of her expenses. I think these checks were reasonable and having looked at the results, I do not find that these raised concerns that required further checks to take place. I say this because Miss J said she was

employed with an annual income of £30,000. The credit check showed no county court judgements and while there were historic defaults these were from 22 months prior, and so I do not think this is enough to say the lending shouldn't have been provided. The credit check showed unsecured borrowing of around £5,500 which was assessed to give monthly cost for credit commitments of around £256. Vanquis also used external sources to gather an estimate of Miss J's living expenses based on the information she had provided. Based on this it recorded Miss J's monthly disposable income as around £430.

While I can see that the income and expenses weren't verified by bank statements or similar evidence, in this case I do not think this was required. The credit check didn't raise concerns that I think meant further checks were needed and based on the information Miss J had provided about her income, I do not find I can say providing a credit card with a £1,000 credit limit was irresponsible.

The credit limit on Miss J's credit card was increased once, in February 2021. This gave a new credit limit of £1,500. Information provided by Vanquis suggests that in the months Miss J had the credit card she had managed her account well. It has said that there were no late or overlimit fees. Miss J wasn't using all her available credit and was making repayments above the minimum required. The credit checks showed no new defaults or county court judgements. Based on the evidence I have seen, I do not find that Vanquis should have been concerned that Miss J was experiencing financial difficulties at the time. I think the checks carried out were reasonable and as these didn't raise concerns about the affordability of the credit limit increase, I do not find I can say Vanquis was wrong to provide this.

Based on the above, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 7 October 2022.

Jane Archer
Ombudsman