

The complaint

Mr D complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card and later increased the credit limit.

What happened

Mr D applied for a credit card with Vanquis in June 2018. Vanquis approved the application and gave Mr D a credit card with a limit of £1000. In November 2018 Vanquis increased the credit limit to £2000. In March 2019 the credit limit was increased to £3000, in July 2019 it was increased to £3500 and in November 2019 it was increased to £4000.

Mr D complained that Vanquis had lent irresponsibly. Vanquis didn't agree. Mr D remained unhappy and complained to this service.

Our adjudicator didn't uphold the complaint. He thought Vanquis had carried out reasonable and proportionate checks and that there was nothing to suggest that the credit wasn't affordable.

Mr D didn't agree so I've been asked to make a final 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 irresponsible and unaffordable lending – including the relevant rules, guidance and good industry practice – on our website. I've had this approach in mind when considering Mr D's complaint.

Having done so, I've come to the same conclusion as the adjudicator. I don't think Vanquis acted unfairly or lent to Mr D irresponsibly. I'll explain why I've reached this decision.

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

Vanquis has provided details of the checks it carried out when opening Mr D's account. It says these checks show that it was reasonable to lend to Mr D.

I can see from the checks that Mr D stated that his income was £32,000. His credit file showed no county court judgments or recent defaults. The checks showed that Mr D had around £10,000 unsecured lending at the time.

Based on this, a credit limit of £1000 appeared affordable, and Mr D didn't have debt which was out of proportion to his income. Overall, I'm satisfied that the checks Vanquis completed were reasonable and proportionate in the circumstances, and showed that the credit card

was affordable for Mr D.

In November 2018 Vanquis increased Mr D's credit limit to £2000. Vanquis says it completed credit checks which showed no new county court judgments or defaults, and that Mr D's unsecured lending was around £21,000. Vanquis looked at how Mr D had managed his credit card account and said it had been managed well with no missed payments.

Given the large increase in the credit limit, I think it would have been reasonable for Vanquis to have done further checks. I think it should have confirmed Mr D's expenditure on essential things like housing, council tax and utilities.

I can't be sure what Vanquis would have seen if it had asked about this. However, Mr D has provided bank statements to this service from around the time of the credit increase. I think it's reasonable to take account of this information as to what would most likely have been disclosed.

I've reviewed bank statements for the two months leading up to the credit limit increase. I've had a look at Mr D's expenditure each month. I can see that Mr D was paying other creditors each month, but I haven't seen anything to suggest that Mr D couldn't sustainably afford the repayments on the increased credit limit because he appeared to have disposable income to meet all of his repayments. Therefore, had Vanquis carried out this check, I think it's likely it would've discovered this too, and reached the conclusion that the increase was affordable. So I don't think Vanquis acted unfairly by increasing the credit limit.

In March 2019, the credit limit was increased to £3000. Further increases followed as I've previously detailed. Vanquis looked at how Mr D managed the account during this time. There were no missed payments and the outstanding balance remained below the credit limit.

However, given the large increase in the credit limit, I think Vanquis should've done more checks before provided further credit. I've reviewed the bank statement provided by Mr D for the period prior to the credit limit increases. These statements give an indication of the information Vanquis would've discovered if it had carried out further checks.

Having considered this information, I haven't seen anything to suggest that Mr D wasn't able to sustainably afford the repayments. Had Vanquis completed further checks, I think it would've discovered this too and reached the view that the lending was affordable for Mr D.

I don't think Vanquis acted irresponsibly when it lent to Mr D.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 6 December 2022.

Emma Davy
Ombudsman