

The complaint

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

What happened

Miss D applied for a credit card with Vanquis in January 2016. Vanquis approved the application and gave Miss D a credit card with a limit of £500. In May 2016 Vanquis increased the credit limit to £1000. In November 2016 Vanquis increased the credit limit to £2000 and a further increase was approved in April 2017, taking the credit limit to £3000.

In March 2022 Miss D complained that Vanquis had lent irresponsibly. Vanquis responded and said the complaint about the initial borrowing was out of time. It didn't uphold the complaint about the first credit limit increase, but upheld the complaint from the point of the second credit limit increase and arranged a refund of interest and charges.

Miss D brought her complaint to this service. Our investigator said that this service couldn't consider Miss D's complaint about the original application in 2016 due the complaint being raised outside the relevant time limits. Miss D accepted the investigators view on jurisdiction. The investigator then looked at the first credit limit increase and said that he didn't think Vanquis had lent irresponsibly.

Miss 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.

In this decision I'm looking at the credit limit increase in May 2016.

Before agreeing to lend, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Miss D could afford to repay the debt in a sustainable way. These affordability checks need to be focussed on the borrowers circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors including the amount of credit, the total sum repayable, the amount of repayments, the cost of the credit and the consumers individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

Vanquis says it looked at Miss D's account history and information it held about her when deciding whether to increase her credit limit.

I've looked at the information Vanquis used when it increased Miss D's credit limit. It reviewed information from credit reference agencies and found no CCJ's or recent defaulted debt. It looked at how Miss D had handled the account since it was opened. Vanquis already held information about Miss D's income, which was £10,000 per year or £815 per month net.

I've looked at the credit information and I can see that Miss D had total unsecured debt of around £5,456 at the time of the credit limit increase. Looking at the credit limit increase in relation to Miss D's income, I agree with the investigator that it would've been proportionate for Vanquis to have taken steps to find out more about any changes to Miss D's income and expenditure.

Because I don't think the checks carried out by Vanquis were reasonable and proportionate, I've gone on to consider what a reasonable and proportionate check would've shown. I've looked at Miss D's bank statements from the time immediately prior to the credit limit increase to see what her actual income and expenditure was.

The bank statements show that Miss D's income was around £1275 and her expenditure was £615. I've also taken account of the sums that Miss D transferred to her mother each month for household expenditure, which was around £250.

Based on the information I've seen, I think the increase to the credit limit appeared affordable and Miss D didn't appear to be over indebted. If Vanquis had looked at this information, I don't think it would've seen anything to make it think that Miss D couldn't afford the repayments on the increased credit limit because she appeared to have sufficient disposable income to meet all her repayments.

In conclusion, I don't think Vanquis lent to Miss D irresponsibly when it increased the credit limit to £1000 in May 2016.

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 Miss D to accept or reject my decision before 19 December 2022.

Emma Davy
Ombudsman