

Complaint

Mrs P has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to her. She says the limit on the credit card was irresponsibly increased after she had just had her daughter and was only receiving maternity allowance.

Background

Vanquis provided Mrs P with a credit card with an initial limit of £500 in September 2017. Mrs P’s credit limit was increased to £1,500.00 in June 2018.

Mrs P was offered a further limit increase to £2,250.00 in December 2019. However, this offer was withdrawn before the increase took effect. And Mrs P’s credit limit never went above £1,500.00.

One of our investigators reviewed what Mrs P and Vanquis had told us. And he thought Vanquis hadn’t done anything wrong or treated Mrs P unfairly in relation to providing the credit card or increasing the credit limit. So he didn’t recommend that Mrs P’s complaint be upheld.

Mrs P disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs P’s complaint.

Vanquis needed to make sure it didn’t lend irresponsibly. In practice, what this means is Vanquis needed to carry out proportionate checks to be able to understand whether Mrs P could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Vanquis says it initially agreed to Mrs P’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs P would be able to make the low monthly repayments due for this credit card. Due to Mrs P’s

account being relatively well managed she was then offered a credit limit increase to £1,500.00.

On the other hand Mrs P says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mrs P was provided with a revolving credit facility rather than a loan. And this means that to start with Vanquis was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £500 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis' credit check did indicate that Mrs P had had previous difficulties with credit in the form of a default and a satisfied county court judgement ("CCJ"). But it's fair to say that these were historic given that they'd occurred more than five years prior to this application. And as Mrs P didn't have much in the way of active debts or commitments at the time of application, I don't think that it was unreasonable for Vanquis to rely on what Mrs P said about her income and expenditure during the call it had with her.

As this is the case, I'm satisfied that the checks carried out before Mrs P was initially provided with her credit card were reasonable and proportionate.

For the credit limit increase, it appears as though Vanquis relied on Mrs P having been managed well in the nine months or so since her account had been opened. I'm not necessarily persuaded that Mrs P's account had been managed particularly well or that this was an indication that Mrs P should be lent up to a further £1,000.00. This is especially as it appears as though Mrs P went over her £500 credit limit in October 2017 and her balance hovered around the £500 mark from this point onwards.

I'm also mindful that although there wasn't anything in the way of any additional significant adverse information on the credit search Vanquis carried, Mrs P was nonetheless more indebted at this stage than she was when her initial card application was made. So I think that there were some signs that Vanquis needed to monitor going forward.

Furthermore, given the amount of the likely increased monthly payments as well as what Vanquis ought to have been aware of, I do think that it would have been reasonable and proportionate for Vanquis to find out a bit more about Mrs P's regular living costs before offering the credit limit increase. As Vanquis didn't obtain this information, I've considered the information Mrs P has provided with a view to deciding what it might have found out about Mrs P's regular living costs had this information been asked for.

Having done so, I don't think that Vanquis would have made a different decision even if it had asked Mrs P for more information. I say this because the information Mrs P has provided about her finances at the time appears to show that when her committed regular living expenses and existing credit commitments were deducted from the funds going into her account, she did have the funds, at the time at least, to sustainably make the repayments due.

In reaching this conclusion, I've thought about what Mrs P has said about not working at the time because she'd just had her daughter and only being in receipt of maternity allowance. But Mrs P was only recently on maternity leave. And it was very close this was to when the limit increase took place. Mrs P also said her household income was available to make repayments during the initial application call and most crucially Mrs P was receiving funds from family members into her account at the time.

So, in these circumstances, it's difficult for me to conclude that Vanquis would have found out that Mrs P wasn't working, or didn't have insufficient funds to make the repayments for an increased credit limit. This is even if it had tried to find out more about her circumstances at this time.

It's possible that Mrs P's position might have been worse than what it looks like, or that it worsened after the credit limit increase took place. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Vanquis should have known this was the case. This is especially as the available information indicates proportionate checks would more likely than not have shown that Mrs P could repay what she could owe at the time the lending decision was made.

So overall while I can understand Mrs P's sentiments, I don't think that Vanquis treated Mrs P unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Mrs P's complaint. I appreciate this will be very disappointing for Mrs P. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 27 November 2023.

Jeshen Narayanan
Ombudsman