

Complaint

Miss H has complained about a credit card Vanquis Bank Limited ("Vanquis") provided to her. She says credit card as well as the limit increase were irresponsibly provided.

Background

Vanquis provided Miss H with a credit card with an initial limit of £250 in December 2021. Miss H's credit limit was increased to £500 in August 2022.

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

Miss H 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 Miss H'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 Miss H 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 Miss H's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss H would be able to make the low monthly repayments due for this credit card. Due to Miss H's account being relatively well managed she was then offered a credit limit increase to £500.

On the other hand Miss H says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Miss H was provided with a revolving credit facility rather than a loan. This means that to start with Vanquis was required to understand whether a credit limit of £250 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £250 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 Miss H had had previous difficulties with credit in the form of defaults and county court judgements ("CCJ"). But it's fair to say that these were historic given that they'd occurred almost two years prior to this application.

It's fair to say that Miss H did have an account that was in an arrangement to pay. But she also didn't have much in the way of active debts or commitments at the time of application. So, in these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Miss H said about her income and expenditure, particularly in light of the low monthly repayments that would be required to repay £250 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Miss H was initially provided with her credit card were reasonable and proportionate and Vanquis didn't act unfairly when opening Miss H's account.

For the credit limit increase, it appears as though Vanquis relied on Miss H's account having been managed well in the eight months or so since her account had been opened. In the first instance I should make it clear that it isn't immediately apparent to me how it would automatically be the case that a borrower can afford a higher amount off credit simply because they might not have defaulted on a lower amount.

Nonetheless, in this particular case, I'm not necessarily persuaded that Miss H's account management was as good as Vanquis is making out. I say this as it appears as though Miss H went over her £250 credit limit in July 2022.

That said, it's also fair to say that Miss H brought her account up to date quickly. And, in my view, what's even more important here is that Miss H was making more than just the minimum payment – indeed she cleared the balance in full in April 2022 and made another significant payment before her August 2022 statement. So Miss H's actions and repayment record did indicate that she might be able to make the payments on a higher credit limit.

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 out, Miss H was nonetheless more indebted at this stage than she was when her initial card application was made. So I do think that there were some signs that Vanquis needed to monitor going forward.

However, given what Vanquis' income and expenditure assessment showed, the amount of the likely increased monthly payments and I've not been provided with anything that clearly contradicts Miss H having had the funds to make the increased payments, I'm not persuaded that it was unfair or unreasonable for Vanquis to have offered the limit increase. And as this is the case, I don't think that it was irresponsible for Vanquis to have increased Miss H's credit limit to £500 in August 2022 either.

So overall while I can understand Miss H's sentiments, I don't think that Vanquis treated Miss H unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Miss H's complaint. I appreciate this will be very disappointing for Miss H. 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 Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 6 December 2023.

Jeshen Narayanan
Ombudsman