

Complaint

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

Background

Vanquis provided Mrs B with a credit card with an initial limit of £250 in February 2019. Mrs B's credit limit was increased to £500 in June 2019.

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

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

On the other hand Mrs B 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 B 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 Mrs B had had previous difficulties with credit in the form of defaults and county court judgements ("CCJ") and she'd previously been in a Debt Relief Order ("DRO"). But it's fair to say that all of this was historic given that they'd occurred around three years prior to this application.

So, in these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Mrs B said about her income and what had in relation to her 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 Mrs B was initially provided with her credit card were reasonable and proportionate and Vanquis didn't act unfairly when opening Mrs B's account.

For the credit limit increase, it appears as though Vanquis relied on Mrs B's account having been managed well in the four months or so since it had been opened.

In the first instance I should make it clear that it isn't immediately apparent to me how it is automatically the case that a borrower can afford a higher amount of credit simply because they might not have defaulted on a lower amount. It seems to me that this logic would suggest that credit limit increases should continue to be granted until after a customer has struggled to make repayments – even though the regulations require a lender to take reasonable steps to ascertain that a customer will not struggle to make their payments.

Leaving aside my concerns regarding the justification for the credit limit increase, in my view, what's important here is that Mrs B was making more than just the required minimum payment prior to her credit limit increase being offered. Indeed, Mrs B cleared the balance in full in April 2019 and made another significant payment of over £200 in June 2019, which also pretty much cleared her balance at that stage too.

So Mrs B's actions and repayment record did indicate that she might be able to make the payments on a £500 credit limit as she made payments well in excess of what was required to repay this amount within a reasonable period of time.

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 either. Nonetheless it is fair to say that Mrs B was more indebted at this stage than she was when her initial card application was made. So I do think that this was a sign that Vanquis needed to monitor going forward in the event that I wished to offer further limit increases.

However, given what Vanquis' income and expenditure assessment showed, the amount of the likely increased monthly payments, I'm not persuaded that it was unfair or unreasonable for Vanquis to have offered this limit increase. And as this is the case, I don't think that it was irresponsible for Vanquis to have increased Mrs B's credit limit to £500 in June 2019 either.

In reaching this conclusion, I've thought about what Mrs B has said about the answers she's received on other complaints. But what constitutes a proportionate check is determined by

factors such as the amount lent and what the lender will have seen at the relevant time. Mrs B's other complaints are about credit for higher amounts provided at different times.

I don't think that it automatically follows that because Mrs B has had other complaints upheld all her complaints should be upheld. This is particularly as Mrs B will now be in the position she would have been in had that credit not been provided to her and for the reasons I've already explained, given the circumstances of the lending here the checks Vanquis carried out before initially providing Mrs B with her credit card and the limit increase were reasonable and proportionate.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 2 February 2024.

Jeshen Narayanan
Ombudsman