

The complaint

Mrs M complains that Vanquis Bank Limited was irresponsible to lend to her.

What happened

Mrs M was approved for a credit card with Vanquis in November 2018. This was followed by four credit limit increases as follows:

	<u>Date</u>	<u>Credit Limit</u>
Initial Limit	6 Nov 2018	£1,000
First Increase	14 Mar 2019	£2,000
Second Increase	15 Jul 2019	£3,000
Third Increase	17 Feb 2020	£4,000
Fourth Increase	17 Jun 2021	£5,000

Mrs M says she doesn't believe Vanquis carried out proper affordability checks when it approved her credit card application and credit limit increases. She says her credit file would have shown recent negative entries and that Vanquis had declined her application six months earlier. Mrs M adds that the monthly payments left her no access to cash as the interest rate was so high.

Vanquis says it was satisfied proportionate checks were carried out prior to approving the initial £1,000 limit. It says similar checks were carried out before each credit limit increase and that Mrs M was given the opportunity to decline each limit change. It concluded that the lending was not irresponsible.

Our investigator did not recommend the complaint should be upheld. She said she was satisfied that Vanquis carried out proportionate checks and those checks indicated the lending was likely to be affordable to Mrs M.

Mrs M responded to say, in summary, that she'd had to voluntarily terminate a car agreement in 2017 because she could not afford the repayments and she'd defaulted on another account on 19 February 2018. She says Vanquis would have seen this on her credit file when it made its decision to lend.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mrs M's case, I have considered the following questions:

- Did Vanquis complete reasonable and proportionate checks when assessing Mrs M's application and credit limits to satisfy itself that she would be able to repay the credit in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Vanquis make fair lending decisions?
- Did Vanquis act unfairly or unreasonably in some other way?

Account Opening

When Mrs M applied for the Vanquis card, I've seen evidence to show Vanquis checked her credit file and asked her about her income. These checks showed:

- A personal income of £17,781, with a total household income of £40,000;
- Existing credit balances of £900 on two active accounts;
- Two defaulted accounts:
 - The most recent default was in February 2018;
- No County Court Judgements or short-term lending and there were no arrears on her active accounts.

As Mrs M's credit card was approved with a modest limit of £1,000, I don't find Vanquis acted irresponsibly by doing so because:

- Mrs M had sufficient income to sustainably afford the repayments, given the limit on the new credit card;
- Both her active credit accounts were up to date, and she had minimal monthly commitments to those;
- Mrs M's most recent default was nine months earlier and there was no indication of current financial difficulty.

So, in summary, I can't conclude Vanquis made an unfair lending decision with regard to the initial approval of the card and I'm satisfied Mrs M was made aware of the interest rate at the time.

Credit Limit Increases

I can see Vanquis carried out further checks when it increased Mrs M's credit limit each time and they showed:

- Other outstanding credit balances varied between just £206 and £1,872;
- The utilisation of her existing credit limits ranged between 56% and 81%;
- Mrs M was paying significantly more than the minimum repayments on her card – from 456% of the minimum repayment to as much as 1100% when each of the limit increases were assessed;

- Further income and expenditure checks at the first and fourth credit limit increases indicated the repayments were still affordable;
- There was nothing in the management of Mrs M's credit card account that indicated she was struggling financially;
- There were no further defaults.

In summary, I find Vanquis made fair lending decisions both when it approved the credit card, and at the point of each limit increase. I also can't see it acted unfairly or unreasonably in any other way.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 28 March 2024.

Amanda Williams
Ombudsman