

The complaint

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

What happened

In March 2019 Miss M applied for a credit card with Vanquis. In her application, Miss M said she was employed with an income of £10,608. Miss M also gave living costs of £250 per month. Vanquis says it carried out a credit search and found Miss M owed around £200 to other unsecured lenders. Vanquis also found Miss M had defaults that were around three years old and no other adverse credit. Vanquis says it applied its lending criteria, taking estimated living expenses into account and approved Miss M's application with a credit limit of £500.

In August 2019 Vanquis increased the credit limit to £1,000 and in December 2021 it went up to £1,750. Vanquis says that before each increase, it checked Miss M's credit file and asked her to complete an income and expenditure assessment to verify her ability to make further repayments.

Last year, Miss M's credit card was closed after falling into arrears. Miss M went on to raise a complaint with Vanquis and it issued a final response.

Vanquis issued a final response to Miss M's complaint but didn't agree it had lent irresponsibly. Vanquis' final response explained that before it had increased the credit limit, Miss M had been obliged to supply income and expenditure information to show whether they were affordable.

Miss M referred her complaint to this service and it was passed to an investigator. They thought Vanquis had carried out reasonable and proportionate checks when considering Miss M's application and later credit limit increases and didn't uphold her complaint. Miss M asked to appeal, so her complaint has been passed to me to make a 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.

Before agreeing to lend and later increasing the credit limit, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Miss M could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and

- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've looked at the information available to Vanquis when Miss M applied for her credit card in March 2019. In the application, Miss M confirmed she was employed with an income of £10,608 and gave living costs as £250. Vanquis used industry data to get estimated housing costs of £435 and personal expenditure of £365 meaning Miss M had around £231 disposable income each month. Vanquis calculated the cost of making repayments as £34 a month and approved Miss M's application with a credit limit of £500. I can see that Vanquis also checked Miss M's credit file and found she owed around £200 to other lenders.

In my view, the level of checks completed were reasonable and proportionate. Miss M gave a living cost of £250 in the application which was lower than the averages found when checking industry data. So Vanquis used figures that were substantially higher than those given by Miss M. I can see Vanquis found a three year old default on Miss M's credit file but I'm satisfied that was factored into its lending decision. I think it's reasonable to say the initial credit limit of £500 was reasonably modest. I haven't found anything that suggests Vanquis should've completed further checks before approving Miss M's application in March 2019. I haven't been persuaded Vanquis lent irresponsibly.

The credit limit was increased in August 2019 to £1,000. Vanquis says it took Miss M's account history and information on her credit file into account when making its decision. Vanquis found Miss M owed around £300 in unsecured debt to other lenders and that her default balance was reducing each month. Vanquis has also made the point that before it approved the credit limit, Miss M had to supply up to date income and expenditure information to show it was affordable. Vanquis has been able to show that in August 2019, Miss M gave her income as £1,400 each month but it's not been able to supply the expenditure information it used to reach an outgoings figure of £817.28 that was used in the assessment.

In my view, Vanquis acted reasonably by taking the step of asking Miss M to complete a new income and expenditure assessment as it provided an up to date picture of her circumstances. But as the specific detail hasn't been provided by Vanquis, I recently asked Miss M to supply copies of her bank statements from the time. I've reviewed the bank statements provided by Miss M for the period before the credit limit increase was approved. I didn't see a level of expenditure on essential living costs or to service other debts that exceeded the figure used by Vanquis. Overall, I'm satisfied that Vanquis carried out reasonable and proportional checks before it approved the credit limit increase to £1,000 in August 2019.

In December 2021 the credit limit was increased to £1,750 and Vanquis again asked Miss M to provide an updated income and expenditure assessment before it was approved. Miss M advised she was now earning £1,800 a month and Vanquis used an expenditure figure of £1,151.50, leaving a disposable income figure of around £648. I can see Vanquis carried out another credit search and found Miss M's debts had increased since August 2019, when the previous credit limit was increased.

Again, Vanquis hasn't been able to provide the detail of its income and expenditure assessment from December 2021 so I asked Miss M to provide copies of her bank statements for the preceding months. I didn't see expenditure levels for living costs and

essential spending that were greater than the figures used by Vanquis or anything that would've caused it to decline the decision to increase the credit limit to £1,750. I'm satisfied Vanquis carried out proportionate checks and acted reasonably when it approved the final credit limit increase. I haven't seen evidence that demonstrates it lent irresponsibly.

Overall, I'm satisfied Vanquis did carry out reasonable and proportionate checks when considering Miss M's original application and later increasing the credit limit to £1,000 and then £1,750. I'm sorry to disappoint Miss M but I haven't been persuaded that Vanquis lent irresponsibly.

My final decision

My decision is that I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 9 May 2024.

Marco Manente
Ombudsman